# NIB Aff

## 1ac Advantages and Plan

### 1ac Economy Adv

#### Contention \_\_\_\_\_ is the Economy

#### We will isolate 3 internal links ---

#### First is declining infrastructure --- it is undermining the foundation of the U.S. economy

Donohue, 11 --- president and chief executive officer of the US Chamber of Commerce (9/8/2011, Thomas J., Christian Science Monitor, “The highway to jobs - via better infrastructure,” Factiva, JMP)

As Obama and Congress talk jobs, here's an appeal from the US Chamber of Commerce: Invest heavily in roads, air transport, and other infrastructure. The economy and jobs depend on it. Adopt innovative financing, including an infrastructure bank to leverage private investment.

Throughout America's history, feats in infrastructure, like the Interstate Highway System, have not only been symbols of national achievement but also conduits for commerce and keys to prosperity.

Today, however, much of this foundation of the US economy is costly, cracked, and crumbling. Roads, rail, airports, and harbors need continual investment to keep pace with demand.

Recent research by the US Chamber of Commerce discovered that underperforming transport infrastructure cost the US economy nearly $2 trillion in lost gross domestic product in 2008 and 2009. The chamber's Transportation Performance Index showed that America's transit system is not keeping up with growing demands and is failing to meet the needs of the business community and consumers.

Most important, the research proved for the first time that there is a **direct relationship between transportation infrastructure performance and GDP**.

The index findings also showed that if America invests wisely in infrastructure, it can become more reliable, predictable, and safe. By improving underperforming transport infrastructure, the United States could unlock nearly $1 trillion in economic potential.

Making investments that tackle immediate challenges, like congestion, and that account for growing demand into the future, America would boost productivity and economic growth in the long run and support millions of jobs in the near term.

Investment in infrastructure would also improve quality of life by reducing highway fatalities and accidents and easing traffic congestion that costs the public $115 billion a year in lost time and wasted fuel - $808 out of the pocket of every motorist. Such an investment would also allow the country to better protect the environment while increasing mobility.

If America fails to adequately invest in transportation infrastructure, by 2020 it will lose $897 billion in economic growth. Businesses will see their transportation costs rise by $430 billion, and the average American household income will drop by more than $7,000. US exports will decline by $28 billion. Meanwhile, global competitors will surge past us with superior infrastructure that will attract jobs, businesses, and capital.

So how can the US get its infrastructure to go from insufficient and declining to safe, competitive, and productive? An obvious place to start is for Congress to pass core bills for surface transportation, aviation, and water programs - at current funding levels. Congress must move forward with multiyear reauthorizations to restore the nation's highways; modernize air traffic control and improve airports; and maintain American ports, harbors, dams, and levees.Doing so would enable communities to plan projects, hire employees, and prevent devastating layoffs of existing workers. Reauthorizing the Federal Aviation Administration alone would help keep 70,000 workers on the job.

Next, America should expand energy infrastructure to support growing needs. A great example is the Keystone XL pipeline to connect Canadian oil sands with Texas refineries. The sooner the project is approved and construction begins, the sooner the US can rake in the benefits of added investment and government revenues, job creation, and more resources to fuel energy needs and keep costs down for businesses and consumers.

Likewise, the US can't let a needlessly cumbersome permitting process stand in the way of infrastructure development. The administration should limit environmental reviews to six months and forgo reviews when no significant environmental impact is expected. Duplicative reviews by state and federal governments should be prevented and, when multiple agencies are involved, a lead agency should be appointed to coordinate actions and move things along. Accelerating the permitting process would quickly mobilize construction and hiring from one end of the country to the other.

In this era of tight government budgets, America must adopt innovative financing approaches and spur on public-private partnerships. A national infrastructure bank must be a part of a long-term investment strategy. An initial government investment of $10 billion could leverage up to $600 billion in private funds.But regulatory impediments must also be removed. They take an estimated $250 billion in global capital out of play. If that private capital were invested in infrastructure projects, it could create 1.9 million jobs over 10 years and spur untold economic growth.

As for public investments, sooner or later we'll have to face the fact that the federal fuel tax has not been raised 1 cent in 17 years. The country needs modest, phased-in increase.

Comprehensively restoring America's infrastructure and revitalizing the economy are monumental tasks. Fortunately, we are the same nation that built our world-class system in the first place. If anyone is up to the challenge, we are.

#### This negatively influences the entire economy --- prevents a resilient supply chain

Little, 11 --- Director, Keston Institute for Public Finance and Infrastructure Policy (4/5/2011, Richard, “Infrastructure Investment and U.S. Competitiveness,” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, JMP)

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.

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.

#### Second is stimulus ---

#### Confidence is collapsing now and destroying investment --- a national infrastructure bank is the best short term stimulus that doesn’t drive up the deficit

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

But could a National Investment Bank also help with the urgent problem of the weak recovery and the exhaustion of the current policy options? We believe that it could.

Keynes was skeptical that economies can stage spontaneous recoveries from major slumps because he recognized the central importance of confidence in a market system. The destruction of confidence caused by a severe recession leads to a collapse in investment, which leads to further deterioration in confidence, and hence to further reduction in investment. In a slump, there is no shortage of savings and liquidity in the economy (and this is why further increasing liquidity, for example by quantitative easing, does little good). The problem is that private businesses do not want to borrow and invest—regardless of how low interest rates on borrowing are—because the future is particularly uncertain and they see no clear prospects for future demand.

The current situation in the US conforms closely to Keynes’s analysis. There is no shortage of savings—the proportion of disposable income that American households save has jumped from below 2 percent immediately before the crisis to over 5 percent today, and US banks are sitting on record levels of cash. But there is a chronic shortage of confidence in future demand—so these savings are sitting in the most riskless of places—in short-term Treasury bills, and in banks’ accounts at the Federal Reserve.

Keynes’s summary of the situation in 1932 still makes sense today, though in less extreme degree:

It may still be the case that the lender, with his confidence shattered by his experience, will continue to ask for new enterprise rates of interest which the borrower cannot expect to earn…. If this proves to be so, there will be no means of escape from prolonged and perhaps interminable depression except by state intervention to promote and subsidise new investment.

The central challenge is to restore confidence on the one hand and on the other to find a way of deploying idle cash to finance the resulting investments. Keynes argued for the direct solution: let the government do both. By increasing fiscal expenditure, it will support demand now and bolster confidence for the future; and by issuing bonds to finance the resulting deficit, it will put the savings currently hiding in cash and Treasury bills to work. In effect, expenditures sponsored by government would substitute for the lost confidence of the private sector until business regains the confidence needed for future investment.

For the time being such a policy is politically impossible, as President Obama has made clear. But the creation of a National Investment Bank provides an alternative solution—and one that has the cardinal virtue, in the current political situation, of not requiring the government to increase its borrowing significantly. As in the classical Keynesian solution, the federal government can revive confidence by making clear its support for large-scale, long-term investment programs—programs that will involve tens of billions of dollars of investment and generate hundreds of thousands of jobs. But unlike in the classical solution, the investments will be made by the private sector or by local governments, and the idle cash to fund these investments will be borrowed and deployed not by the federal government but by the National Investment Bank.

Of course, the creation of a National Investment Bank cannot be a fiscal free lunch. Congress would need to appropriate sufficient funds to inject the initial capital of the bank. But the essence of banking is the ability to make loans up to a multiple of several times initial capital. For every dollar of initial capital from Congress, the National Investment Bank would be able to finance investment up to a sizable multiple of this initial capital by borrowing the extra dollars now languishing in the private capital markets. It would operate in two main ways. In some cases, the bank would offer a partial or full guarantee of repayment on bonds issued directly by investment projects themselves, thereby assuming some or all of the risk of the projects, and so reducing their cost of funding. But for the most part, the bank itself would lend to finance investment projects, and raise funds for lending from the capital markets by issuing long-term bonds carrying a modest premium over the interest rate on government securities. Such National Investment Bank bonds would likely be attractive assets for pension funds and other long-term investors.

#### The economy won’t recover quickly or sufficiently enough on its own --- A national bank will stimulate the economy and boost jobs

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

President Obama is in a bind. He knows that the economic recovery is fragile and dependent on continued fiscal stimulus—hence the bipartisan deal on further tax breaks he brokered in December. But he also knows that the tolerance in Washington for deficits of close to 10 percent of Gross Domestic Product is running out. In the short term, the politics of the new Congress will not allow them; and in the long term, the President’s own National Commission on Fiscal Responsibility and Reform has warned against them.

The President’s dilemma was on open display in his State of the Union address in January. It is, he said, deficit spending by government that has “broken the back of this recession”; and government-supported investment in innovation, education, and infrastructure that is needed to “win the future.” But while sending to Congress a budget that he promised will produce “countless new jobs,” the President at the same time proposed to cut the deficit by more than $400 billion over the next decade.

Overall investment and spending must be maintained by the government in order to support the economy at a time when unemployment remains at unprecedented postwar levels and a quarter of home owners owe more on their mortgages than the value of their property. The Federal Reserve has tried to stimulate the economy through a loose monetary policy, keeping interest rates very low and purchasing $600 billion in Treasury notes from big banks in an effort to make more money available to the banking system—a measure called quantitative easing. But the deficit must also be cut in order to preserve the nation’s creditworthiness.

This is the urgent challenge the President knows America is facing. Is there a way to square the circle? Part of the solution, we believe, lies in the creation of a National Investment Bank that will produce more jobs while not seriously increasing the deficit. Behind this lies solid economic theory.

The theory is Keynesian. John Maynard Keynes did not deny that market economies recovered “naturally” from slumps. He argued that their natural recovery mechanisms were too weak to bring them back to “full employment” within a “reasonable time” (say, three or four years). When private business confidence has been crushed and private investors’ appetite for risk has been curtailed by the painful experience of a recession, private spending will remain in the doldrums for a prolonged period even though output is well below capacity, resources lie idle, and people are unemployed. This is what occurred during the Great Depression, when the American economy took eight years after 1929 to regain its pre-crash peak output, and unemployment remained over 10 percent for more than a decade.

In these circumstances, Keynes argued that the government should run an increased budget deficit to support recovery, because the government is the sole agency able to prevent total spending in the economy from falling below a reasonable level of activity and employment. If private spending is depressed the government can restore “aggregate demand”—the total spending and investment in the economy—to a higher level by adding to its own spending or reducing taxes. By contrast, any attempt to reduce the fiscal deficit while large spare capacity exists will only make matters worse. If the economy is severely “underemployed,” government spending that produces a deficit will not “crowd out” private spending. It will replace private spending that is not taking place.

Few dispute that the US is not enjoying a normal recovery by recent standards. Economists talk about the persistence of the “output gap”—a theoretical concept that captures the difference between what the economy could produce if all available resources were employed and what it actually does. The Congressional Budget Office, for example, estimates in its latest assessment that the economy is still running at nearly 6 percent below potential.1

The man or woman in the street has a more direct measure of the problem: an unemployment rate close to 9 percent three years after the recession began. In the recessions of the early 1980s, 1990s, and 2000s, by this point in the recovery the total number of Americans employed was at, or above, the total number employed before the recession began. At the end of 2010, there were still more than seven million fewer Americans with jobs, full-time and part-time, than in March 2008. In this dismal situation, it is not surprising that Keynes’s diagnosis and his policy prescriptions have had a major revival, and fiscal policy throughout the OECD nations reflected this in the initial period of the global financial crisis. Fiscal stimulus in order to stabilize aggregate demand became the order of the day.

As the crisis itself recedes into the distance, however, old dogmas have reemerged. The Keynesian case for deficit spending is challenged by the theory of “expansionary fiscal contraction,” which alleges that deficit spending will, on the one hand, “crowd out” private spending by depressing consumption. This will happen as households save more to pay anticipated higher taxes that will have been increased in order to pay for deficit spending. The public deficit will also constrain investment, since interest rates will have to rise as the government borrows money to cover the deficit. On the other hand, the theory proposes that “fiscal consolidation,” or reduction of the deficit, will increase household consumption, since households no longer anticipate increased taxes, and also investment, by making credit cheaper.

The conditions needed to validate this theory are highly unreal, and there is negligible empirical evidence to support it.2 But the vague air of moral rectitude that surrounds policies of austerity has reexerted a powerful influence over financial markets, and in its name, most OECD countries have now agreed on four- or five-year plans to liquidate deficits. “Fiscal consolidation” has become the new orthodoxy.

The US is no exception. The Simpson-Bowles commission on the deficit has confirmed that the US faces larger long-term fiscal challenges than most other countries, and that major reform is needed. The Republican majority in the House of Representatives has placed cutting government expenditure at the heart of the political agenda for both parties. For the time being at least, the ideological winds have changed, and the President knows that it would be unrealistic to expect any further help from direct fiscal stimulus, despite the lethargic pace of the recovery.

So the situation the President faces can be summarized as follows. Aggregate demand is not recovering sufficiently, and continues to need stimulus in order to restore employment to a reasonable level within an acceptable span of time. But it has become politically impossible to increase the government deficit; and even the extraordinarily loose monetary policy we have mentioned is not proving sufficiently effective to produce a full recovery. The tall order facing President Obama, then, is to find policies that can maintain demand without expanding the deficit. The creation of a National Investment Bank should be at the top of his list. A National Investment Bank could achieve two goals simultaneously: it could improve the long-term prospects of the US economy for growth by improving its facilities for energy, transportation, water supply, and much else, while offsetting the contractionary effects of orthodox fiscal policy.

The first goal is likely to be the least controversial. After all, it was on these grounds that a National Infrastructure Reinvestment Bank was proposed in Congress in 2007 and 2009. On March 15 of this year a bipartisan group of senators headed by John Kerry proposed an infrastructure bank on exactly these grounds. The traditional case for public development banks is that they can incorporate national policy objectives into their lending strategies—and by doing so, avoid short-term “market failures” in private capital markets—failures that result in the lack of funding for projects of long-term value to the national economy. Unlike a commercial bank, a National Investment Bank would appraise such projects for financing not only on the basis of their profitability—though this would still be a necessary condition for approval—but also on the basis of their contribution to national policy objectives—such as the promotion of exports, the repair and development of infrastructure, and the efficient reduction of carbon emissions. Such an appraisal would thus take into account the benefits that such projects would bring to the broader economy.

#### Studies prove the plan is a uniquely beneficial form of stimulus

Tyson, 11 --- Chan Chair in Global Management at UC Berkeley's Haas School of Business (Laura D., “A Better Stimulus Plan for the U.S. Economy,” <http://hbr.org/web/extras/hbr-agenda-2011/laura-d-tyson>, JMP)

Although stimulus spending is a politically contentious issue, America is now in urgent need of a national infrastructure bank to help finance transformative projects of national importance. During the coming year I will work with the Obama administration; Senator John Kerry, Representative Rosa DeLauro, and other members of Congress; governors; mayors; and business leaders on legislation to establish and provide the capital for such an institution. I will also foster public support for its creation through speeches, interviews, and opinion columns like this one.

Unlike most other forms of stimulus, infrastructure spending benefits the economy in two ways: First, it creates jobs—which, because those jobs put money in consumers' pockets, spurs demand. Analysis by the Congressional Budget Office indicates that infrastructure spending is a cost-effective demand stimulus as measured by the number of jobs created per dollar of budgetary expenditure.

Second, the resulting infrastructure enhancement supports supply and growth over time. By contrast, underinvestment not only hobbles U.S. competitiveness but also affects America's national security as vulnerabilities go unaddressed. In its 2009 report on the state of the nation's infrastructure, the American Society of Civil Engineers gave the U.S. a near-failing grade of D. Perhaps that should not be surprising, given that real infrastructure spending today is about the same as it was in 1968, when the economy was smaller by a third. A 2008 CBO study concluded, for example, that a 74% increase in annual spending on transportation infrastructure alone would be economically justifiable. That calculation leaves out additional infrastructure spending needed for other key public goals such as water delivery and sanitation.

Realizing the highest possible return on infrastructure investments depends on funding the projects with the biggest impact and financing them in the most advantageous way. Properly designed and governed, a national infrastructure bank would overcome weaknesses in the current selection of projects by removing funding decisions from the politically volatile appropriations process. A common complaint today is that projects are often funded on the basis of politics rather than efficiency. Investments would instead be selected after independent and transparent cost-benefit analysis by objective experts.

The bank would provide the most appropriate form of financing for each project, drawing on a flexible set of tools such as direct loans, loan guarantees, grants, and interest subsidies for Build America Bonds. It should be given the authority to form partnerships with private investors, which would increase funding for infrastructure investments and foster efficiency in project selection, operation, and maintenance. That would enable the bank to tap into the significant pools of long-term private capital in pension funds and dedicated infrastructure equity funds looking for such investment opportunities.

Crafting the law to achieve these goals is a serious and challenging undertaking, particularly in view of large budget deficits and a contentious political atmosphere. But I believe they are worthy of the political and legislative effort required to realize them. The U.S. must invest considerably more in its infrastructure to secure its competitiveness and deliver rising standards of living. This effort would also put millions of Americans to work in meaningful jobs. The time has come to make it happen.

#### Third internal link is unemployment ---

#### This is triggering a major economic crisis --- outweighs the deficit and is best solved by the plan

Tyson, 11 --- professor at the Haas School of Business at Cal Berkeley and former chair of the Council of Economic Advisers and the head of the National Economic Council under President Clinton (8/18/2011, Laura D’Andrea Tyson, “What it will take for President Obama and big business to bring back American jobs,” <http://www.washingtonpost.com/national/on-leadership/for-president-obama-and-american-business-fixing-the-us-jobs-deficit/2011/08/18/gIQAhW8ZNJ_story.html>, JMP)

The immediate crisis confronting the U.S. economy is the jobs deficit, not the budget deficit.

Nearly 14 million Americans are unemployed, another 8.4 million are working part time because they cannot find full-time jobs, and yet another 2.8 million want a job and are available to work but have given up an active search. At 64 percent, the labor force participation rate is lower than it has been in nearly three decades.

The magnitude of this jobs crisis we’re in is best measured by the jobs gap—the number of jobs the U.S. economy needs to add in order to return to its pre 2008-2009 employment level and absorb new entrants to the work force since then. The jobs gap at the end of August was more than 12 million jobs. Even at double the rate of employment growth realized during the last year, it would take more than 12 years for the U.S. economy to close this gap. The U.S. labor market, long admired for its flexibility and strength, is badly broken.

Most American jobs are in the private sector, and private sector jobs have in fact been growing for 17 consecutive months; indeed, the private sector added about 1.8 million nonfarm payroll jobs during the last year. This pace of job creation is faster than during the previous recovery in the early 2000s and in line with the recovery of the early 1990s.

But there’s one major problem: Private-sector job losses were more than twice as large in the recent recession as in the previous two, and job growth has fallen far short of what is necessary to offset these losses. In addition, public-sector employment has been declining in this recovery—this in contrast to other postwar recovery periods, in which such employment has increased. We’ve lost 550,000 public-sector positions in the last year alone, making the jobs crisis even more severe.

Since the private sector creates (and eliminates) most jobs in the United States, and since budget constraints will likely mean more painful cuts in public-sector employment for the foreseeable future, Americans are understandably looking to business for solutions to the jobs crisis. To uncover the business solutions that could work, however, we first must acknowledge the fundamental cause of the problem: the dramatic collapse in aggregate demand that began with the 2008 financial crisis and that triggered huge job losses.

Even with unprecedented amounts of monetary and fiscal stimulus, the recovery has been weak because consumers have curbed their spending, increased their saving and started to reduce their personal debt. And they still have a long way to go. Business surveys confirm that for both large and small companies, the primary constraint on job growth is weak demand, not regulation or taxation. In the apt words of a small business owner, “If you don’t have the demand, you don’t hire the people.”

So what can the business community do to boost demand and job creation?

It can convince Congress to establish a National Infrastructure Bank and pass a multi-year surface transportation bill to boost infrastructure investment. And while it’s at it, business can work with the Obama administration to reduce multi-year delays in the approval of infrastructure projects that would otherwise create tens of thousands of good-paying jobs in the next few years.

It can partner with the Obama administration to achieve the target of doubling exports, supporting 2 million additional jobs, within five years. Securing congressional passage of the three pending trade agreements, combined with meaningful trade adjustment assistance for workers displaced by trade, would be a major step toward this goal.

It can work in partnership with federal, state and local governments to encourage the retrofitting of commercial buildings to improve their energy efficiency—a 20-percent improvement would save business about $40 billion a year on utility bills, money that could be used to hire and train workers.

It can finance partnerships with colleges and universities to provide workers with the skills needed for the jobs that are currently available and for the jobs that are most likely to become available as the economy continues to recover. These include jobs that require high levels of science and technology skills, such as engineering jobs that are currently unfilled because of a national shortage of engineers, as well as jobs that require community college training in specialized areas like manufacturing, clean energy, tourism and health care.

In his recent column for the Washington Post, Professor Michael Useem challenged business leaders to focus not just on what is required for the success of their own companies but on what is required for the success of the national economy. Members of the President’s Council on Jobs and Competitiveness, a private-sector advisory group in which I participate, , are responding to this challenge.

Yet even with innovative ideas and commitment, the business community cannot boost aggregate demand by the amount needed to close the jobs gap. That requires appropriate macroeconomic policies. What should the federal government do? It should extend unemployment benefits and link them to training programs as many European countries do. It should extend the payroll tax cut for employees enacted at the end of 2010 and it should add a payroll tax cut for employers on new hires. Payroll tax relief should be maintained until the unemployment rate falls to 6 percent.

The 10-year yield on U.S. Treasuries has fallen below 2.5 percent, the lowest it has been since the 1950s. There are numerous economically justifiable, demand-generating investments the U.S. government should make in infrastructure, research and education that would pay a higher rate of return and would create jobs now, while also laying the foundation for faster growth in the future. With nearly 25 percent of mortgages under water, a record number of foreclosures and historically low mortgage rates, the government should also explore new ways to make it possible for more households to refinance their mortgages. Refinancing could put tens of billions of dollars of spending power into the economy.

Additional fiscal measures like these would boost demand and job creation. And yes, they would also add to the fiscal deficit. But the most important driver of the deficit in the short run is weak tax revenues, reflecting weak economic performance; and the most effective way to reduce the deficit in the next few years would be putting people back to work. Every one percentage point of growth adds about $2.5 trillion in government revenues.

But even strong growth will not solve the long-run deficit problem. That will require a multi-year balanced plan of spending cuts and revenue increases. That’s why Congress should pair such a plan with temporary fiscal measures to boost job creation–and pass both as a package now. Approving a deficit-reduction plan now but deferring its starting date until the economy is near full employment would reduce the danger that premature fiscal contraction will tip the economy back into recession. It would also alleviate investor concerns about the creditworthiness of the U.S. government, concerns that have been aggravated by recent political brinkmanship over the debt limit and the resulting S&P downgrade.

Unfortunately, the odds that the United States will get the fiscal policy it needs—a combination of countercyclical support now and balanced deficit reduction later—are low. And the odds that Congressional gridlock will increase uncertainty, undermine confidence and endanger the faltering recovery are high. These odds are not good for business, nor are they good for the millions of Americans who need a job.

#### **Economic decline triggers nuclear war**

Harris and Burrows 9 (Mathew, PhD European History at Cambridge, counselor in the National Intelligence Council (NIC) and Jennifer, member of the NIC’s Long Range Analysis Unit “Revisiting the Future: Geopolitical Effects of the Financial Crisis” <http://www.ciaonet.org/journals/twq/v32i2/f_0016178_13952.pdf>, AM)

Increased Potential for Global Conflict Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample Revisiting the Future opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups\_inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks\_and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an **unintended escalation** and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to **escalating** **crises**. 36 Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

#### Independently, slow growth makes the US uncooperative and desperate – leads to hegemonic wars

**Goldstein 7** - Professor of Global Politics and International Relations @ University of Pennsylvania, Avery Goldstein, “Power transitions, institutions, and China's rise in East Asia: Theoretical expectations and evidence,” [Journal of Strategic Studies](http://www.informaworld.com/smpp/title~db%3Dall~content%3Dt713636064), Volume[30](http://www.informaworld.com/smpp/title~db%3Dall~content%3Dt713636064~tab%3Dissueslist~branches%3D30#v30), Issue [4 & 5](http://www.informaworld.com/smpp/title~db%3Dall~content%3Dg780703608)August 2007, pages 639 – 682

Two closely related, though distinct, theoretical arguments focus explicitly on the consequences for international politics of a shift in power between a dominant state and a rising power. In War and Change in World Politics, Robert Gilpin suggested that peace prevails when a dominant state’s capabilities enable it to ‘govern’ an international order that it has shaped. Over time, however, as economic and technological diffusion proceeds during eras of peace and development, other states are empowered. Moreover, the burdens of international governance drain and distract the reigning hegemon, and challengers eventually emerge who seek to rewrite the rules of governance. As the power advantage of the erstwhile hegemon ebbs, it may become desperate enough to resort to theultima ratio of international politics, force, to forestall the increasingly urgent demands of a rising challenger. Or as the power of the challenger rises, it may be tempted to press its case with threats to use force. It is the rise and fall of the great powers that creates the circumstances under which major wars, what Gilpin labels ‘hegemonic wars’, break out.13 Gilpin’s argument logically encourages pessimism about the implications of a rising China. It leads to the expectation that international trade, investment, and technology transfer will result in a steady diffusion of American economic power, benefiting the rapidly developing states of the world, including China. As the US simultaneously scurries to put out the many brushfires that threaten its far-flung global interests (i.e., the classic problem of overextension), it will be unable to devote sufficient resources to maintain or restore its former advantage over emerging competitors like China. While the erosion of the once clear American advantage plays itself out, the US will find it ever more difficult to preserve the order in Asia that it created during its era of preponderance**.**The expectation is an increase in the likelihood for the use of force – either by a Chinese challenger able to field a stronger military in support of its demands for greater influence over international arrangements in Asia, or by a besieged American hegemon desperate to head off further decline. Among the trends that alarm those who would look at Asia through the lens of Gilpin’s theory are China’s expanding share of world trade and wealth(much of it resulting from the gains made possible by the international economic order a dominant US established); its acquisition of technology in key sectors that have both civilian and military applications (e.g., information, communications, and electronics linked with to forestall, and the challenger becomes increasingly determined to realize the transition to a new international order whose contours it will define. the ‘revolution in military affairs’); and an expanding military burden for the US (as it copes with the challenges of its global war on terrorism and especially its struggle in Iraq) that limits the resources it can devote to preserving its interests in East Asia.14 Although similar to Gilpin’s work insofar as it emphasizes the importance of shifts in the capabilities of a dominant state and a rising challenger, the power-transition theory A. F. K. Organski and Jacek Kugler present in The War Ledger focuses more closely on the allegedly dangerous phenomenon of ‘crossover’– the point at which a dissatisfied challenger is about to overtake the established leading state.15 In such cases, when the power gap narrows, the dominant state becomes increasingly desperate. Though suggesting why a rising China may ultimately present grave dangers for international peace when its capabilities make it a peer competitor of America, Organski and Kugler’s power-transition theory is less clear about the dangers while a potential challenger still lags far behind and faces a difficult struggle to catch up. This clarification is important in thinking about the theory’s relevance to interpreting China’s rise because a broad consensus prevails among analysts that Chinese military capabilities are at a minimum two decades from putting it in a league with the US in Asia.16 Their theory, then, points with alarm to trends in China’s growing wealth and power relative to the United States, but especially looks ahead to what it sees as the period of maximum danger – that time when a dissatisfied China could be in a position to overtake the US on dimensions believed crucial for assessing power. Reports beginning in the mid-1990s that offered extrapolations suggesting China’s growth would give it the world’s largest gross domestic product (GDP aggregate, not per capita) sometime in the first few decades of the twentieth century fed these sorts of concerns about a potentially dangerous challenge to American leadership in Asia.17 The huge gap between Chinese and American military capabilities (especially in terms of technological sophistication) has so far discouraged prediction of comparably disquieting trends on this dimension, but inklings of similar concerns may be reflected in occasionally alarmist reports about purchases of advanced Russian air and naval equipment, as well as concern that Chinese espionage may have undermined the American advantage in nuclear and missile technology, and speculation about the potential military purposes of China’s manned space program.18 Moreover, because a dominant state may react to the prospect of a crossover and believe that it is wiser to embrace the logic of preventive war and act early to delay a transition while the task is more manageable, Organski and Kugler’s power-transition theory also provides grounds for concern about the period prior to the possible crossover.19 pg. 647-650

#### Growth eliminates the only rational incentives for war

**Gartzke 11** – associate Professor of political science at the University of California, San Diego PhD from Iowa and B.A. from UCSF Erik, "SECURITY IN AN INSECURE WORLD" [www.cato-unbound.org/2011/02/09/erik-gartzke/security-in-an-insecure-world/](http://www.cato-unbound.org/2011/02/09/erik-gartzke/security-in-an-insecure-world/)

Almost as informative as the decline in warfare has been where this decline is occurring. Traditionally, nations were constrained by opportunity. Most nations did not fight most others because they could not physically do so. Powerful nations, in contrast, tended to fight more often, and particularly to fight with other powerful states. Modern “zones of peace” are dominated by powerful, militarily capable countries. These countries could fight each other, but are not inclined to do so. At the same time, weaker developing nations that continue to exercise force in traditional ways are incapable of projecting power against the developed world, with the exception of unconventional methods, such as terrorism. The world is thus divided between those who could use force but prefer not to (at least not against each other) and those who would be willing to fight but lack the material means to fight far from home. Warfare in the modern world has thus become an activity involving weak (usually neighboring) nations, with intervention by powerful (geographically distant) states in a policing capacity. So, the riddle of peace boils down to why capable nations are not fighting each other. There are several explanations, as Mack has pointed out. The easiest, and I think the best, explanation has to do with an absence of motive. Modern states find little incentive to bicker over tangible property, since armies are expensive and the goods that can be looted are no longer of considerable value.Ironically, this is exactly the explanation that Norman Angell famously supplied before the World Wars. Yet, today the evidence is abundant that the most prosperous, capable nations prefer to buy rather than take. Decolonization, for example, divested European powers of territories that were increasingly expensive to administer and which contained tangible assets of limited value. Of comparable importance is the move to **substantial** consensus among powerful nations about how international affairs should be conducted. The great rivalries of the twentieth century were ideological rather than territorial. These have been substantially resolved, as Francis Fukuyama has pointed out. The fact that remaining differences are moderate, while the benefits of acting in concert are large (due to economic interdependence in particular) means that **nations prefer to deliberate rather than fight**. Differences remain, but for the most part the capable countries of the world have been in consensus, while the disgruntled developing world is incapable of acting on respective nations’ dissatisfaction. While this version of events explains the partial peace bestowed on the developed world, it also poses challenges in terms of the future. The rising nations of Asia in particular have not been equalbeneficiaries in the world political system. These nations have benefited from economic integration, and this has proved sufficient in the past to pacify them. The question for the future is whether the benefits of tangible resources through markets are sufficient to compensate the rising powers for their lack of influence in the policy sphere. The danger is that established powers may be slow to accommodate or give way to the demands of rising powers from Asia and elsewhere, leading to divisions over the intangible domain of policy and politics. Optimists argue that at the same time that these nations are rising in power, their domestic situations are evolving in a way that makes their interests more similar to the West. Consumerism, democracy, and a market orientation all help to draw the rising powers in as fellow travelers in an expanding zone of peace among the developed nations. Pessimists argue instead that capabilities among the rising powers are growing faster than their affinity for western values, or even that fundamental differences exist among the interests of first- and second-wave powers that cannot be bridged by the presence of market mechanisms or McDonald’s restaurants. If the peace observed among western, developed nations is to prove durable, it must be because warfare proves futile as nations transition to prosperity. Whether this will happen depends on the rate of change in interests and capabilities, a difficult thing to judge. We must hope that the optimistic view is correct, that what ended war in Europe can be exported globally. Prosperity has made war expensive, while the fruits of conflict, both in terms of tangible and intangible spoils have declined in value. These forces are not guaranteed to prevail indefinitely. Already, research on robotic warfare promises to lower the cost of conquest. If in addition, fundamental differences among capable communities arise, then warfare over ideology or policy can also be resurrected. We must all hope that the consolidating forces of prosperity prevail, that war becomes a durable anachronism.

#### The plan will revive confidence in demand and spur a self-sustaining private sector recovery

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

Such are the principles of our proposal, but what about the practicalities? Could a National Investment Bank operate on a scale that would make a material difference to aggregate demand and employment? And how would the bank operate in practice?

A useful example of the scale of what our proposal could achieve is provided by the European Investment Bank (EIB). The European Union has an economy of a similar size and level of development to the US—in 2010 the GDP of the EU was around $16 trillion, and of the US around $15 trillion—and the EIB is its public development bank. The EU governments that own the EIB have contributed approximately $50 billion of capital to it; and the bank currently borrows a further $420 billion from the private capital markets to finance a total lending portfolio of some $470 billion. In other words, for a fiscal outlay of $50 billion, the EU governments are able to finance investments worth more than $470 billion. The EIB has funded major infrastructure projects throughout Europe, from the port of Barcelona to the Warsaw beltway, and from France’s famous TGV network to Britain’s new, world-leading offshore wind industry. In doing so, it has consistently turned a profit and maintained negligible delinquencies over five decades.

If a US National Investment Bank were established on a similar scale, the investment spending it could therefore finance over ten years at a direct cost of around $50 billion could more than offset the $400 billion of expenditure cuts promised by President Obama in his State of the Union Address and proposed in his recent budget over the same period. The bank would achieve a more than $400 billion increase in aggregate demand in return for a $50 billion increase in the federal government’s debt. But the real return would be much greater. By making clear a national commitment to a coherent and rigorously appraised program of economic restructuring and the investment necessary to support it, the bank would also revive confidence in demand and so provide the basis for a self-sustaining private sector recovery.

#### Transportation infrastructure investment is key --- boosts jobs and attracts businesses. A federal bank spurs critical public-private partnerships.

Tyson, 11 --- professor at the Haas School of Business at UC Berkeley (6/3/2011, Laura D’Andrea Tyson, NYT Blogs, “The Virtues of Investing in Transportation; Economix,” Factiva, JMP)

Years of underinvesting in the nation's transportation infrastructure are apparent in congested roads, freight bottlenecks, airport delays and overcrowded or non-existent public transit operations. Yet the heated debate in Washington about how much and how fast to slash government spending is overlooking how a significant, sustained increase in infrastructure investment would create jobs and strengthen the nation's competitiveness.

Infrastructure spending, adjusted for inflation and accounting for the depreciation of existing assets, is at about the same level it was in 1968, when the economy was one-third smaller. Public investment on transportation and water infrastructure as a share of gross domestic product has fallen steadily since the 1960s and now stands at 2.4 percent, compared with 5 percent in Europe and more than 9 percent in China.

Experts differ on how much more is needed but agree the amount is substantial.

The American Society of Civil Engineers, for example, estimates that we need to spend an additional $110 billion a year to maintain the transportation infrastructure at current performance levels. The Congressional Budget Office reported in May that simply maintaining the current performance of the system would require the federal government to increase its annual spending on highways by about one-third, while state and local governments that account for about 55 percent of capital spending on the highway system would have to increase their annual spending by similar or larger amounts. Financing highway projects whose economic benefits exceed their costs would necessitate more than a doubling of federal investment on highway infrastructure from its 2010 level of $43 billion. All these estimates apply only to shortfalls in economically justifiable spending on transportation and highways; they do not include other critical infrastructure areas, like water, energy and broadband.

Government spending on infrastructure raises demand, creates jobs and increases the supply and growth potential of the economy over time. The C.B.O. says infrastructure spending is one of the most effective fiscal policies for increasing output and employment and one of the most cost-effective forms of government spending in terms of the number of jobs created per dollar of budgetary cost.

Studies indicate that each $1 billion of infrastructure spending creates 11,000 (estimate of the President's Council of Economic Advisers) to 30,000 jobs (estimate of the Department of Transportation for infrastructure spending on highways) through direct and indirect effects.

Most of these jobs are added in construction and related sectors, hard hit by the housing crisis, and most of them are relatively well paid, with wages between the 25th and the 75th percentile of the national wage distribution.

Public infrastructure enables the private sector. A modern transportation infrastructure improves private-sector productivity by reducing production and transportation costs, and facilitating trade, economies of scale and efficient production methods.

Not surprisingly, the quality of transportation infrastructure is a major factor affecting business decisions about where to locate production, and the eroding quality of infrastructure is making the United States a less attractive place to do business.

According to the 2010-11 competitiveness report of the World Economic Forum, the United States now ranks 23rd among 139 countries on the overall quality of its infrastructure -- between Spain and Chile. In 1999, the United States ranked seventh.

The Obama administration's budget request for $556 billion for the reauthorization of the surface transportation bill over the next six years is an important first step. But how the money is spent also matters. Because of political considerations, a large fraction of federal infrastructure spending currently finances projects aimed at building capacity rather than maintaining existing capacity.

Yet recent evidence indicates both that the returns on projects to expand capacity have been falling over time and that projects to maintain capacity often enjoy higher returns.

In a time of budget austerity, the allocation of scarce federal dollars for infrastructure must be guided by cost-benefit analysis -- rather than by earmarks and formula-based grants, as is currently the case. That's why the Obama administration is calling for the use of performance criteria and "race to the top" competition among state and local governments to allocate federal spending among competing projects.

That's also why both the administration and a bipartisan group led by Senators John Kerry, Democrat of Massachusetts; Kay Bailey Hutchison, Republican of Texas, and Mark Warner, Democrat of Virginia, have proposed the creation of a national infrastructure bank.

Such a bank would focus on transformative projects of national significance, like the creation of a high-speed rail system or the modernization of the air-traffic-control system. Such projects are neglected by the formula-driven processes now used to distribute federal infrastructure funds among states and regions.

The bank would also **provide greater certainty about the level of federal funds for multiyear projects** by removing those decisions from the politically volatile annual appropriations process and would select projects based on transparent cost-benefit analysis by independent experts.

The bank would be granted authority to create partnerships with private investors on individual projects, and these would increase the funds available and foster greater efficiency in project selection, operation and maintenance. Such partnerships -- common in Europe and other parts of the world -- often result in earlier completion of projects, lower costs and better maintenance of infrastructure compared with investments made solely by public entities.

Despite rapid growth in the last decade, such partnerships are still rare in the United States. Why? **Because infrastructure decisions are fragmented, with states, cities and municipalities owning their own assets and applying their own political and economic criteria to potential deals with private investors. Several states do not have legislation authorizing partnerships and no guidelines exist for how decisions will be made.**

One obstacle may be gone: Representative James Oberstar, Democrat of Minnesota and the previous chairman of the House Transportation and Infrastructure Committee, opposed these partnerships and urged state and local officials to avoid them. He lost his seat in 2010, and Representative John Mica, Republican of Florida, who now heads the committee, supports the partnership concept. Improving infrastructure investment decisions through cost-benefit analysis and public-private partnerships is one way to realize larger returns on scarce investment dollars.

#### Will immediately boost employment and growth

Zakaria, 11 (6/13/2011, Fareed, “Zakaria: U.S. needs an infrastructure bank,” <http://globalpublicsquare.blogs.cnn.com/2011/06/13/zakaria-u-s-needs-an-infrastructure-bank/>, JMP)

President Obama has proposed a number of specific policies to tackle the jobs crisis, but they have gone nowhere because Republicans say that their top concern is the deficit and debt.

Those of us worried about the debt - and I would strongly include myself - need to remember that if unemployment doesn't go down fast, the deficit is going to get much worse. **If you're serious about deficit reduction, the single most important factor that will shrink it is to have more people working and paying taxes.**

I want to focus on one of Obama's proposals because it actually would add very little to the deficit, it has some Republican supporters and it would have an immediate effect on boosting employment and growth. Plus, it's good for the country anyway.

We need a national infrastructure bank to repair and rebuild America's crumbling infrastructure. The House Majority Leader, Eric Cantor, has played down this proposal as just more stimulus, but if Republicans set aside ideology, they would actually see that this is an opportunity to push for two of their favorite ideas - privatization and the elimination of earmarks. That's why Republicans like Kay Bailey Hutchison and Chuck Hagel are strongly in favor of such a bank.

The United States builds its infrastructure in a remarkably socialist manner. The government funds bills and operates almost all American infrastructure.

Now, in many countries in Europe and Asia the private sector plays a much larger role in financing and operating roads, highways, railroads, airports and other public resources. An infrastructure bank would create a mechanism by which you could have private sector participation.

Yes, there would be some public money involved, though mostly through issuing bonds. And with interest rates at historic lows, this is the time to use those low interest rates to borrow money and rebuild America's infrastructure. Such projects have huge long-term payoffs and can genuinely be thought of as investments, not expenditures.

A national infrastructure bank would also address a legitimate complaint of the Tea Party - earmark spending. One of the reasons federal spending has been inefficient is that Congress wants to spread the money around in ways that might make political sense but are economic nonsense.

An infrastructure bank would make those decisions using cost-benefit analysis in a meritocratic system rather than spreading the wealth around and basing these decisions on patronage, politics and whimsy.

Let's face it, America's infrastructure is in a shambles. Just a decade ago, we ranked sixth in infrastructure in the world according to the World Economic Forum. Today we rank 23rd and dropping. **We will not be able to compete with the nations of the world if we cannot fix this problem.**

Is it too much to ask that Republicans and Democrats find a way to come together on this?

That moment of bipartisanship might actually be the biggest payoff of all.

### 1ac Competitiveness Adv

#### Contention \_\_\_\_\_ is Competitiveness

#### Declining transportation infrastructure is decking U.S. competitiveness and hegemony

AGC, 11 (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

It also is important to note that the federal programs for investing in highway and transit projects has traditionally been self-funded. Since the 1950s, highway users have, through a mixture of gas taxes and other use-related fees, provided all of the funds that go into the Highway Trust Fund. Until only recently all federal surface transportation investments had come from this self-funded Trust Fund. In other words, structured correctly, the federal surface transportation program does not have to cost anyone that doesn’t use the highway system a single penny.

As important, there is a strong argument to be made for the fact that the proper role of the federal government is to create and set conditions favorable to private sector job creation. For example, in an economy where the difference between success and failure is often measured by a company’s ability to deliver goods quickly and efficiently, maintaining transportation infrastructure is as important to the success of the private sector as are stable and low tax rates, minimal red tape and regulations and consistent and stable rule of law.

Officials in Washington also need to understand that allowing our transportation infrastructure to deteriorate will serve as an added tax on private citizens and the business community alike. That is because added congestion, shipping delays and transportation uncertainty will raise commuting costs, the price of most retail and grocery goods and the cost of getting supplies and delivering products for most U.S. businesses.

**Investing in infrastructure is vital to our national economic security.** **America’s position and power in the world is directly dependent on its economic supremacy**. It is, after all, our national wealth that funds the country’s highly skilled Armed Forces, that allows us to direct global trade policy and that allows our currency to dominate global marketplaces. Without continued investments to support and nurture that economic vitality, **America will surely be eclipsed by other, fast-growing competitors** like China, Brazil and/or India.

Given that so much of the U.S. economy has evolved into a just-in-time model where as-needed deliveries are far more efficient than expensive warehousing and storage, **maintaining our transportation infrastructure is vitally important to the health of our economy**. Traffic congestion and aging roads already cost U.S. businesses $80 billion a year because of deferred infrastructure maintenance and our failure to keep pace with the growth of shipping and other traffic. Allowing our transportation infrastructure to deteriorate will only further undermine our businesses and erode our national economic security.

In other cases, the federal government has an obligation to invest in infrastructure to avoid imposing costs on U.S. businesses and imposing unfunded mandates on state and local governments. For example, local governments had long been responsible for paying to maintain and operate water systems. That meant only major cities and wealthy towns had access to modern water systems. Much of that changed when the federal government began mandating quality standards for drinking water and wastewater discharge through legislation like the Clean Water Act and Safe Drinking Water Act. These standards were in the best interest of the nation, ensuring protection of public health and environmental quality. By mandating quality standards, however, the federal government forces local governments to spend billions of dollars to upgrade equipment and comply with regulatory burdens. The federal government must not foist the burden of maintaining national standards onto local ratepayers alone. Given that it is in the federal interest to set water quality standards, then so too must it be in the federal interest to provide – primarily in the form of state revolving loan funds – financing help to operators so they can meet those standards.

#### Federal leadership key to reverse decline in competitiveness

Buchanan, 9 --- Associate Professor at The George Washington University Law School, and a former economics professor (11/19/09, Neil H., “Why the U.S. Government Must Invest in Infrastructure Now, Or Pay A Steep Cost,” <http://writ.news.findlaw.com/buchanan/20091119.html>, JMP)

Recently, I returned from a trip to Austria, Spain, England, and Scotland. By coincidence, the first issue of The New York Times I picked up after returning to this country included an op-ed column by Bob Herbert, who argued passionately that the United States is falling behind our peers in virtually all areas of public investment -- roads, bridges, electrical grids, education, and more. After my trip, and after looking carefully into the evidence on the matter, I am convinced that Herbert is correct.

In this column, I will first reflect on some of the things I saw on my recent travels that confirm Mr. Herbert's dire assessment of the United States' position, relative to the rest of the relatively advanced economies in the world. I will then consider the broader policy initiatives that continue to be essential for our future prosperity, initiatives that have not been able to gain traction in U.S. policy debates for the last several decades.

My basic contention, however, is a simple one: The federal government is the only entity that has the opportunity to change the foundation on which our future prosperity will be built. If we continue to ignore the pressing needs that only the federal government can fill, then our future will be much poorer and more dangerous. And there is no better time than today to address these needs – for infrastructure improvement will address not only the United States' competitiveness, but also its strikingly high levels of unemployment and underemployment.

The Stark Contrast Between Traveling in Europe, and in the United States

Every traveler must, by definition, come into direct contact with a country's transportation infrastructure. Whether he or she is traveling by train, plane, bus, automobile, or any other mode of transportation, the traveler's experience will directly reflect the practical effects of policy choices made by a country's government in designing its public infrastructure.

It is, of course, dangerous to draw general conclusions about policy based on a few weeks of travel. Bad experiences can happen in even the best-designed systems; inferior systems might seem attractive on a good day. Even so, patterns begin to emerge; and experiences in one country can provide useful examples of alternative ways to organize and build a society.

Moreover, there is ample independent verification of the overall state of the infrastructure in the United States. The Brookings Institution's Metropolitan Policy Program, which Herbert's op-ed cited, includes a Metropolitan Infrastructure Initiative, which has assessed the state of the roads, bridges, etc., in the United States. Its findings are quite disturbing, citing conclusions ranging "from genuine concern about the condition and quality of our existing infrastructure, to difficulties and lack of choices in moving people and goods."

Similarly, earlier this year, the American Society of Civil Engineers issued a report that assessed the state of America's bridges, roads, drinking water systems, sewage treatment facilities, and so on. The engineers' overall assessment, based on an academic grading scale, was that infrastructure in the U.S. receives a grade of "D."

How does poor infrastructure show itself in day-to-day living? Take, for example, my trip from the United States to Vienna, Austria, and contrast that with my return to Washington, D.C. Arriving in Vienna, the airport was uncongested, clearing Customs took less than one minute, and I was out of the airport in a matter of minutes after that. At that point, there were clearly-marked signs for a high-speed train from the airport, which offered a mere seventeen-minute ride from the airport (on the outskirts of that nation's capital city) to the city's center. And in fact, the seventeen-minute train ride really took seventeen minutes.

From there, an array of choices for subways, trams, and buses was available. There was no need to hire a taxi, but if that had been necessary, it would have cost approximately thirty dollars to travel from the airport to my hotel on the other side of the city.

Compare this to my experience when arriving at Dulles International Airport, outside Washington, D.C. The airport was clogged with people, and information was not easy to find. Clearing Customs was a thirty-minute ordeal through a snaking line of angry travelers, even though the actual contact with a customs agent was at most a 20-second encounter. For those who wish to travel into D.C. from the airport, there is no train available. Finding the only bus service from the airport is non-intuitive (to say the least), and that bus ride does not terminate in Washington, but in Arlington, Virginia. A taxi or limo can cost up to one hundred dollars, depending upon where one goes in Washington.

Perhaps Vienna, Austria is a unique example. Austria is a small country, and its capital is not as large as ours. In my travels, however, I took flights through airports in Bilbao, Spain; Munich and Stuttgart, Germany; London; and Edinburgh, Scotland. The contrast with airports in the U.S. was stunning. Flights in Europe were on time or early. Transportation into and out of the nearby cities was inexpensive and efficient. The entire traveling experience, while never enjoyable, was at least never miserable. That's quite a contrast to far too many experiences I -- like so many others -- have endured in the United States.

The Stakes: Economic Competitiveness and Political Relevance

But other than personal inconvenience, readers may ask, why does any of this truly matter? If one wants to travel to D.C., then one puts up with it. The destination is what matters, not the journey, right?

Hardly. Tourism matters – as an extremely important economic engine in many areas, including Washington, D.C. And, even more importantly, business matters. And experiences such as those I had will directly affect the decisions that people in business make about where to locate their companies' offices, and with whom to engage in commerce.

Decisionmakers, both in the U.S. and abroad, know that our transportation networks are decades out of date and are falling apart. That is not enough to drive all business out of this country, of course, but it certainly means that many marginal decisions will cut against the interests of the United States. If we want to be internationally competitive, then we must improve our "welcome mat."

Moreover, the same decisions that will inevitably push businesses to locate in, or even relocate to, other countries threaten to change the notion that the United States is the center of it all. While some pundits claim that U.S. debt or financial policies are pushing business abroad, **infrastructure surely remains a profoundly important factor**: Is it physically possible to move around in a particular country with reasonable speed and efficiency?

We fall painfully short in that regard. And if we continue to push the world away in this respect, then it is inevitable that the world will, over the years, come to care less and less about the United States.

#### This also wrecks U.S. global economic leadership

Alessi, 11 (9/8/2011, Christopher, “Banking on U.S. Infrastructure Revival,” <http://www.cfr.org/economics/banking-us-infrastructure-revival/p25782>, JMP)

U.S. President Barack Obama is expected to propose an employment stimulus package worth over $300 billion (Bloomberg) in a speech to both houses of Congress on Thursday. The plan will aim to create new jobs through a combination of tax cuts and--more contentiously--government spending on infrastructure projects. The most sweeping proposal for government investment in public works being debated around Washington is the creation of a national infrastructure bank (CNN). Such an institution would require an initial, one-time investment by the government of approximately $10 billion. Most urgently, the bank would be a means of creating jobs in the construction, manufacturing, and retail trade sectors of the economy.

With unemployment stuck above 9 percent, a plan to get fourteen million unemployed Americans back to work is a top government priority. Moreover, as the U.S. economy continues to stagnate--and fears of a global double-dip recession abound--generating jobs is seen as crucial. Investing in infrastructure, along with education and technology, is a way to tackle unemployment by addressing longstanding structural problems on "the tradable side of the economy," economist and Nobel laureate A. Michael Spence recently told CFR.

At the same time, U.S. infrastructure is undoubtedly deteriorating, undermining the foundations of the country's economy. In turn, this is weakening the ability of the United States--the world's largest economy--to **exercise economic leadership throughout the globe**. The World Economic Forum's 2011-2012 Global Competitiveness Report said the United States declined in competitiveness for the third year in a row, dropping to fifth place. The Global Competitive Index is composed of twelve pillars, including infrastructure.

"For decades, we have neglected the foundation of our economy while other countries have invested in state-of-the-art water, energy, and transportation infrastructure, wrote Michael B. Likosky, a senior fellow at New York University's Institute for Public Knowledge, in a July 12 New York Times op-ed.

#### Strong US growth is key to promoting an American economic model – the alternative is mercantilism, which destroys economic cooperation

**POSEN, 9** - Deputy director and senior fellow of the Peterson Institute for International Economics (Adam, “Economic leadership beyond the crisis,” http://clients.squareeye.com/uploads/foresight/documents/PN%20USA\_FINAL\_LR\_1.pdf)

In the postwar period, US power and prestige, beyond the nation's military might, have been based largely on American relative economic size and success. These facts enabled the US to promote economic openness and buy-in to a set of economic institutions, formal and informal, that resulted in increasing international economic integration. With the exception of the immediate post-Bretton Woods oil-shock period (1974-85), this combination produced generally growing prosperity at home and abroad, and underpinned the idea that there were benefits to other countries of following the American model and playing by American rules. Initially this system was most influential and successful in those countries in tight military alliance with the US, such as Canada, West Germany, Japan, South Korea, and the United Kingdom. With the collapse of Soviet communism in 1989, and the concomitant switch of important emerging economies, notably Brazil, China, India, and Mexico, to increasingly free-market capitalism, global integration on American terms through American leadership has been increasingly dominant for the last two decades. The global financial crisis of 2008-09, however, represents a challenge to that world order. While overt financial panic has been averted, and most economic forecasts are for recovery to begin in the US and the major emerging markets well before end of 2009 (a belief I share), there remain significant risks for the US and its leadership. The global financial system, including but not limited to US-based entities, has not yet been sustainably reformed. In fact, financial stability will come under strain again when the current government financial guarantees and public ownership of financial firms and assets are unwound over the next couple of years. The growth rate of the US economy and the ability of the US government to finance responses to future crises, both military and economic, will be meaningfully curtailed for several years to come. Furthermore, the crisis will accelerate at least temporarily two related long-term trends eroding the viability of the current international economic arrangements. First, perhaps inevitably, the economic size and importance of China, India, Brazil, and other emerging markets (including oil-exporters like Russia) has been catching up with the US, and even more so with demographically and productivity challenged Europe and northeast Asia. Second, pressure has been building over the past fifteen years or so of these developing countries' economic rise to give their governments more voice and weight in international economic decision-making. Again, this implies a transfer of relative voting share from the US, but an even greater one from over-represented Western Europe. The near certainty that Brazil, China, and India, are to be less harmed in real economic terms by the current crisis than either the US or most other advanced economies will only emphasise their growing strength, and their ability to claim a role in leadership. The need for capital transfers from China and oil-exporters to fund deficits and bank recapitalisation throughout the West, not just in the US, increases these rising countries' leverage and legitimacy in international economic discussions. One aspect of this particular crisis is that American economic policymakers, both Democratic and Republican, became increasingly infatuated with financial services and innovation beginning in the mid-1990s. This reflected a number of factors, some ideological, some institutional, and some interest group driven. The key point here is that export of financial services and promotion of financial liberalisation on the US securitised model abroad came to dominate the US international economic policy agenda, and thus that of the IMF, the OECD, and the G8 as well. This came to be embodied by American multinational commercial and investment banks, in perception and in practice. That particular version of the American economic model has been widely discredited, because of the crisis' apparent origins in US lax regulation and over-consumption, as well as in excessive faith in American-style financial markets. Thus, American global economic leadership has been eroded over the long-term by the rise of major emerging market economies, disrupted in the short-term by the nature and scope of the financial crisis, and partially discredited by the excessive reliance upon and overselling of US-led financial capitalism. This crisis therefore presents the possibility of the US model for economic development being displaced, not only deservedly tarnished, and the US having limited resources in the near-term to try to respond to that challenge. Additionally, the US' traditional allies and co-capitalists in Western Europe and Northeast Asia have been at least as damaged economically by the crisis (though less damaged reputationally). Is there an alternative economic model? The preceding description would seem to confirm the rise of the Rest over the West. That would be premature. The empirical record is that economic recovery from financial crises, while painful, is doable even by the poorest countries, and in advanced countries rarely leads to significant political dislocation. Even large fiscal debt burdens can be reined in over a few years where political will and institutions allow, and the US has historically fit in that category. A few years of slower growth will be costly, but also may put the US back on a sustainable growth path in terms of savings versus consumption. Though the relative rise of the major emerging markets will be accelerated by the crisis, that acceleration will be insufficient to rapidly close the gap with the US in size, let alone in technology and well-being. None of those countries, except perhaps for China, can think in terms of rivaling the US in all the aspects of national power. These would include: a large, dynamic and open economy; favorable demographic dynamics; monetary stability and a currency with a global role; an ability to project hard power abroad; and an attractive economic model to export for wide emulation. This last point is key. In the area of alternative economic models, one cannot beat something with nothing - communism fell not just because of its internal contradictions, or the costly military build-up, but because capitalism presented a clearly superior alternative. The Chinese model is in part the American capitalist (albeit not high church financial liberalisation) model, and is in part mercantilism. There has been concern that some developing or small countries could take the lesson from China that building up lots of hard currency reserves through undervaluation and export orientation is smart. That would erode globalisation, and lead to greater conflict with and criticism of the US-led system. While in the abstract that is a concern, most emerging markets - and notably Brazil, India, Mexico, South Africa, and South Korea - are not pursuing that extreme line. The recent victory of the incumbent Congress Party in India is one indication, and the statements about openness of Brazilian President Lula is another. Mexico's continued orientation towards NAFTA while seeking other investment flows (outside petroleum sector, admittedly) to and from abroad is a particularly brave example. Germany's and Japan's obvious crisis-prompted difficulties emerging from their very high export dependence, despite their being wealthy, serve as cautionary examples on the other side. So unlike in the1970s, the last time that the US economic performance and leadership were seriously compromised, we will not see leading developing economies like Brazil and India going down the import substitution or other self-destructive and uncooperative paths. If this assessment is correct, the policy challenge is to deal with relative US economic decline, but not outright hostility to the US model or displacement of the current international economic system. That is reassuring, for it leaves us in the realm of normal economic diplomacy, perhaps to be pursued more multilaterally and less high-handedly than the US has done over the past 20 years. It also suggests that adjustment of current international economic institutions is all that is required, rather than desperately defending economic globalisation itself. For all of that reassurance, however, the need to get buy-in from the rising new players to the current system is more pressing on the economic front than it ever has been before. Due to the crisis, the ability of the US and the other advanced industrial democracies to put up money and markets for rewards and side-payments to those new players is also more limited than it has been in the past, and will remain so for at least the next few years. The need for the US to avoid excessive domestic self-absorption is a real concern as well, given the combination of foreign policy fatigue from the Bush foreign policy agenda and economic insecurity from the financial crisis. Managing the post-crisis global economy Thus, the US faces a challenging but not truly threatening global economic situation as a result of the crisis and longer-term financial trends. Failure to act affirmatively to manage the situation, however, bears two significant and related risks: first, that China and perhaps some other rising economic powers will opportunistically divert countries in US-oriented integrated relationships to their economic sphere(s); second, that a leadership vacuum will arise in international financial affairs and in multilateral trade efforts, which will over time erode support for a globally integrated economy. Both of these risks if realised would diminish US foreign policy influence, make the economic system less resilient in response to future shocks (to every country's detriment), reduce economic growth and thus the rate of reduction in global poverty, and conflict with other foreign policy goals like controlling climate change or managing migration and demographic shifts. If the US is to rise to the challenge, it should concentrate on the following priority measures.

#### U.S. economic supremacy prevents several scenarios for nuclear war

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With the global financial system in serious trouble, is America's geostrategic dominance likely to diminish? If so, what would that mean?

One immediate implication of the crisis that began on Wall Street and spread across the world is that the primary instruments of U.S. foreign policy will be crimped. The next president will face an entirely new and adverse fiscal position. Estimates of this year's federal budget deficit already show that it has jumped $237 billion from last year, to $407 billion. With families and businesses hurting, there will be calls for various and expensive domestic relief programs.

In the face of this onrushing river of red ink, both Barack Obama and John McCain have been reluctant to lay out what portions of their programmatic wish list they might defer or delete. Only Joe Biden has suggested a possible reduction -- foreign aid. This would be one of the few popular cuts, but in budgetary terms it is a mere grain of sand. Still, Sen. Biden's comment hints at where we may be headed: toward a major reduction in America's world role, and perhaps even a new era of financially-induced isolationism.

Pressures to cut defense spending, and to dodge the cost of waging two wars, already intense before this crisis, are likely to mount. Despite the success of the surge, the war in Iraq remains deeply unpopular. Precipitous withdrawal -- attractive to a sizable swath of the electorate before the financial implosion -- might well become even more popular with annual war bills running in the hundreds of billions.

Protectionist sentiments are sure to grow stronger as jobs disappear in the coming slowdown. Even before our current woes, calls to save jobs by restricting imports had begun to gather support among many Democrats and some Republicans. In a prolonged recession, gale-force winds of protectionism will blow.

Then there are the dolorous consequences of a potential collapse of the world's financial architecture. For decades now, Americans have enjoyed the advantages of being at the center of that system. The worldwide use of the dollar, and the stability of our economy, among other things, made it easier for us to run huge budget deficits, as we counted on foreigners to pick up the tab by buying dollar-denominated assets as a safe haven. Will this be possible in the future?

Meanwhile, traditional foreign-policy challenges are multiplying. The threat from al Qaeda and Islamic terrorist affiliates has not been extinguished. Iran and North Korea are continuing on their bellicose paths, while Pakistan and Afghanistan are progressing smartly down the road to chaos. Russia's new militancy and China's seemingly relentless rise also give cause for concern.

If America now tries to pull back from the world stage, it will leave a dangerous power vacuum. The stabilizing effects of our presence in Asia, our continuing commitment to Europe, and our position as defender of last resort for Middle East energy sources and supply lines could all be placed at risk.

In such a scenario there are shades of the 1930s, when global trade and finance ground nearly to a halt, the peaceful democracies failed to cooperate, and aggressive powers led by the remorseless fanatics who rose up on the crest of economic disaster exploited their divisions. Today we run the risk that **rogue states may choose to become ever more reckless with their nuclear toys**, just at our moment of maximum vulnerability.

The aftershocks of the financial crisis will almost certainly rock our principal strategic competitors even harder than they will rock us. The dramatic free fall of the Russian stock market has demonstrated the fragility of a state whose economic performance hinges on high oil prices, now driven down by the global slowdown. China is perhaps even more fragile, its economic growth depending heavily on foreign investment and access to foreign markets. Both will now be constricted, inflicting economic pain and perhaps even sparking unrest in a country where political legitimacy rests on progress in the long march to prosperity.

None of this is good news if the authoritarian leaders of these countries seek to divert attention from internal travails with external adventures.

As for our democratic friends, the present crisis comes when many European nations are struggling to deal with decades of anemic growth, sclerotic governance and an impending demographic crisis. Despite its past dynamism, Japan faces similar challenges. India is still in the early stages of its emergence as a world economic and geopolitical power.

What does this all mean? There is no substitute for America on the world stage. The choice we have before us is between the potentially disastrous effects of disengagement and the stiff price tag of continued American leadership.

### 1ac Banking Advantage

#### Contention \_\_\_\_\_ is the Banking Sector ---

#### A national bank will restore confidence in the banking and financial sectors

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The creation of a National Investment Bank would also have a final benefit that would be peripheral to its main purpose but might in the long run be its most important. The financial crisis has left the impression that the main purpose of the banking sector is to enrich a tiny elite at the expense of taxpayers. Adair Turner, the chairman of the UK Financial Services Authority, expressed a widespread sentiment when he said in a review of the past decade of financial innovation that much of it was “socially useless..”4 In fact, the public understands that a well-functioning financial system is essential to the US economy; and in the light of recent experience, many also understand that extensive changes in behavior are required to bring such a system into being. Apart from the Dodd-Frank bill passed in July 2010, further regulatory reform for existing banks is clearly necessary, as the recent findings of the Financial Crisis Inquiry Commission, under Phil Angelides, have made clear. But such comprehensive efforts will be complex, and new regulatory regimes in particular take time to become established.

A National Investment Bank, by contrast, would be able to adopt stricter rules from its inception, and thus demonstrate the social value of the financial sector to a quite justifiably disenchanted public. It could restore confidence, not only in future demand, but in banks and in banking itself.

#### This is key to promoting a sustainable and green economy

Steward Redqueen, 11 --- consultancy firm that aims to magnify the positive impact of the private sector on society [April 14, <http://www.stewardredqueen.com/nl/blog/blog_blogbericht/t/strong_financial_sector_is_condition_for_sustainability_agenda/>, “Strong financial sector is condition for sustainability agenda”, Accessed July 17, //SH]

Without a strong financial sector, i.e. a sound number of diverse banks, private equity companies, insurers and a stock exchange, our economy will do much worse. The financial sector is a condition for a healthy corporate sector and development of the real economy.

Likewise a strong financial sector is needed to facilitate the transition towards a more efficient, clean and green economy. It is simply foolish to believe that this transition will ever be realized without finance.

Obviously banks and other financial institutions still have to proof their social usefulness to many. The reputation of bankers is terrible. However, anybody who promotes the transition towards a sustainable economy should quit bashing bankers and look for new ways of cooperation.

 Hopefully the fact that politicians are worrying about the future of the Amsterdam Stock Exchange is a signal that the mood around the financial sector is changing. The sector still has a lot to improve. But we should all realize that we are better off with a financial sector that can still do better, than with no financial sector at all.

#### A green economy spurs innovation – creates the World’s First Green Hegemon Locking-in U.S. Dominance and ensuring U.S. Global Energy Advantages

Klarevas, 9 (Louis, Professor, Center for Global Affairs, New York University “Securing American Primacy While Tackling Climate Change: Toward a National Strategy of Greengemony,” pg online @ <http://www.huffingtonpost.com/louis-klarevas/securing-american-primacy_b_393223.html> //ghs-ef)

As national leaders from around the world are gathering in Copenhagen, Denmark, to attend the United Nations Climate Change Conference, the time is ripe to re-assess America's current energy policies - but within the larger framework of how a new approach on the environment will stave off global warming and shore up American primacy.  By not addressing climate change more aggressively and creatively, the United States is squandering an opportunity to secure its global primacy for the next few generations to come. To do this, though, the U.S. must rely on innovation to help the world escape the coming environmental meltdown. Developing the key technologies that will save the planet from global warming will allow the U.S. to outmaneuver potential great power rivals seeking to replace it as the international system's hegemon. But the greening of American strategy must occur soon.  The U.S., however, seems to be stuck in time, unable to move beyond oil-centric geo-politics in any meaningful way.  Often, the gridlock is portrayed as a partisan difference, with Republicans resisting action and Democrats pleading for action.  This, though, is an unfair characterization as there are numerous proactive Republicans and quite a few reticent Democrats. The real divide is instead one between realists and liberals.  Students of realpolitik, which still heavily guides American foreign policy, largely discount environmental issues as they are not seen as advancing national interests in a way that generates relative power advantages vis-à-vis the other major powers in the system: Russia, China, Japan, India, and the European Union.  Liberals, on the other hand, have recognized that global warming might very well become the greatest challenge ever faced by mankind. As such, their thinking often eschews narrowly defined national interests for the greater global good. This, though, ruffles elected officials whose sworn obligation is, above all, to protect and promote American national interests.  What both sides need to understand is that by becoming a lean, mean, green fighting machine, the U.S. can actually bring together liberals and realists to advance a collective interest which benefits every nation, while at the same time, securing America's global primacy well into the future.  To do so, the U.S. must re-invent itself as not just your traditional hegemon, but as history's first ever green hegemon.  Hegemons are countries that dominate the international system - bailing out other countries in times of global crisis, establishing and maintaining the most important international institutions, and covering the costs that result from free-riding and cheating global obligations. Since 1945, that role has been the purview of the United States.  Immediately after World War II, Europe and Asia laid in ruin, the global economy required resuscitation, the countries of the free world needed security guarantees, and the entire system longed for a multilateral forum where global concerns could be addressed. The U.S., emerging the least scathed by the systemic crisis of fascism's rise, stepped up to the challenge and established the postwar (and current) liberal order.  But don't let the world "liberal" fool you. While many nations benefited from America's new-found hegemony, the U.S. was driven largely by "realist" selfish national interests. The liberal order first and foremost benefited the U.S.  With the U.S. becoming bogged down in places like Afghanistan and Iraq, running a record national debt, and failing to shore up the dollar, the future of American hegemony now seems to be facing a serious contest: potential rivals - acting like sharks smelling blood in the water - wish to challenge the U.S. on a variety of fronts. This has led numerous commentators to forecast the U.S.'s imminent fall from grace. Not all hope is lost however.  With the impending systemic crisis of global warming on the horizon, the U.S. again finds itself in a position to address a transnational problem in a way that will benefit both the international community collectively and the U.S. selfishly.  The current problem is two-fold. First, the competition for oil is fueling animosities between the major powers. The geopolitics of oil has already emboldened Russia in its 'near abroad' and China in far-off places like Africa and Latin America. As oil is a limited natural resource, a nasty zero-sum contest could be looming on the horizon for the U.S. and its major power rivals - a contest which threatens American primacy and global stability.  Second, converting fossil fuels like oil to run national economies is producing irreversible harm in the form of carbon dioxide emissions. So long as the global economy remains oil-dependent, greenhouse gases will continue to rise. Experts are predicting as much as a 60% increase in carbon dioxide emissions in the next twenty-five years. That likely means more devastating water shortages, droughts, forest fires, floods, and storms.  In other words, if global competition for access to energy resources does not undermine international security, global warming will. And in either case, oil will be a culprit for the instability. Oil arguably has been the most precious energy resource of the last half-century. But "black gold" is so 20th century. The key resource for this century will be green gold - clean, environmentally-friendly energy like wind, solar, and hydrogen power. Climate change leaves no alternative. And the sooner we realize this, the better off we will be.  What Washington must do in order to avoid the traps of petropolitics is to convert the U.S. into the world's first-ever green hegemon.  For starters, the federal government must drastically increase investment in energy and environmental research and development (E&E R&D). This will require a serious sacrifice, committing upwards of $40 billion annually to E&E R&D - a far cry from the few billion dollars currently being spent.  By promoting a new national project, the U.S. could develop new technologies that will assure it does not drown in a pool of oil. Some solutions are already well known, such as raising fuel standards for automobiles; improving public transportation networks; and expanding nuclear and wind power sources. Others, however, have not progressed much beyond the drawing board: batteries that can store massive amounts of solar (and possibly even wind) power; efficient and cost-effective photovoltaic cells, crop-fuels, and hydrogen-based fuels; and even fusion. Such innovations will not only provide alternatives to oil, they will also give the U.S. an edge in the global competition for hegemony. If the U.S. is able to produce technologies that allow modern, globalized societies to escape the oil trap, those nations will eventually have no choice but to adopt such technologies. And this will give the U.S. a tremendous economic boom, while simultaneously providing it with means of leverage that can be employed to keep potential foes in check.  The bottom-line is that the U.S. needs to become green energy dominant as opposed to black energy independent - and the best approach for achieving this is to promote a national strategy of greengemony.

#### That solves Nuclear Conflict

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World order is neither self-enforcing nor is it comprehensively enforceable. Nonetheless, every such “order” requires a sheriff, or some other agent of discipline. In the modern European, then world, system, which is to say since the late eighteenth century, the ordering mechanism was the balance of power, with occasional corrections imposed by war. Order is the prime virtue; it is the essential prerequisite for security, peace, and possibly justice. Disorder is the worst condition. Because this study is not deterministic, it is possible that the necessary rule-keeping job might be abandoned and not resumed for a while. Even in that unhappy event, my argument does not sink. Rather does the world cope as best it can in the absence of superior, and by and large legitimate, force, until such force reappears. Periods of anarchy, or at best of only very weak international governance, are far from unknown historically. Invariably they invite ambitious opportunists to try their luck. That development may, or may not, suffice to awake the sleeping benign giant, should such be conveniently available to be stirred from slumber. Every condition of international order works for the particular benefit of some countries and the interests more that others, and needs defending. The alternatives to an American-led international order are just possibly eventual leadership by some other polity or coalition (probably Chinese, though possibly European, led), or, more likely, a lengthy period with no one wearing the sheriff’s badge. In that unwelcome event, every predatory regional and local power, many a dissatisfied ethnic or religious minority, most probably would chance its arm and seek its own destiny, by violence if need be. Violent struggle is all but essential to the success of the process of nation building. No doubt there are many ways in which order for security, hopefully promoting peace and justice, might be established and maintained. In the life of the modern state’s system, which is to say from the Treaty of Westphalia in 1684 to the present day (though many now proclaim the demise of this system), in practice only one ordering mechanism has been available: the balance of power. The dying embers of that hoary approach limed on even until 1991, when many of its American aficionados could still be found muttering about “the strategic balance,” while through the 1990s many a serious reference still was made to that abominable consequence of Cold War military competition, a condition of stability keyed to the mutuality of assured destruction (MAD). But, today there is no strategic balance, central or otherwise, and there is no political context of hostility to provide meaning to military rivalry between the United States and the new Russian Federation. There is no balance of power serving as the mainstay, the organizing architecture, of the current world order. What we have instead was flagged in the 1995 as a strong desideratum by the classical historian, Donald Kagan.   What seems to work best, even though imperfectly, is the possession by those states who wish to preserve the peace of the preponderant power and of the will to accept the burdens and responsibilities required to achieve that purpose.  As written, Kagan’s words could just about fit the folly of the theory of collective security. Of Course, he has no such noble nonsense in mind. What he is saying is that peace has to be kept, actively, and that it is best kept by a preponderance, not by an ever contestable balance, of power. Kagan’s historical judgment will serve as the test for this sermon on security. In principle there is both good and bad news in Kagan’s claim. It is good news that his lifetime’s ruminations on peace and war have yielded definite advice. Many academics would be uncomfortable writing as boldly as does Kagan. The bad news is that to the best of our knowledge, there is no hidden hand of history commanded to ensure that only commercially minded popular democracies shall inherit the mantle of preponderant power. It was never probable, but that power at century’s close might have been Nazi Germany or the USSR. Fortunately, chance favored civilizational merit for once, and the only candidate for sheriff today is the United States, a fact which is our second theme.   The United States is the, indeed is the only, essential protecting power for the current world order.  Again, this is not to be deterministic. Although there are no other bidders for this crown at present, it does not follow that the United States is condemned to play this role. After all, American world leadership in Paris 1919 was succeeded post haste by a scuttle from many potential international obligations. Americans today could elect to withdraw from the outside world, insofar as they could in political-military ways. They would hope that the civilizational offense given by soft power of their now globally beamed culture would not be found unduly provocative abroad. Whether The Great Satan, as Iranian spokespeople have delighted in calling the United States, would be allowed to hunker down in peaceful sanctuary in North America, we should doubt. Still, it could be tried. After September 11, 2001, isolationist sentiment temporarily has lost much of its appeal. We may not be much interested in terrorism, but it would appear that terrorism is interested in us. For good or ill, we are what we are. Exactly what this is has been explained in no uncertain terms by Henry Kissinger in the opening lines of his book, Does America Need a Foreign Policy? No prizes are awarded for guessing that his question is strictly rhetorical. Kissinger proclaims that:  At the dawn of the new millennium, the United States is enjoying a preeminence unrivalled by even the greatest empires of the past. From weaponry to entrepreneurship, from science to technology, from higher education to popular culture, America exercises an unparalleled ascendancy around the globe. During the last decade of the twentieth century, America’s preponderant position rendered it the indispensable component of international stability. The condition of unchallenged, indeed unchallengeable, primacy will not endure-it is not strategic history’s “last move”-but while it does the United States is the only candidate for sheriff. If Americans should decline the honor, they are at least uniquely well equipped to ensure that no one else could possibly succeed in that informal office. As Donald Kagan provided our basic text, quoted under the first point above, so it is only fitting that he should also be allowed to sound the warning bell. Kagan advises that: Unexpected changes and shifts in power are the warp and woof of international history. The current condition of the world, therefore, were war among major powers is hard to conceive because one of them has overwhelming military superiority and no wish to expand, will not last.  Quite so. However, historians, perhaps especially ancient historians, should be expected to take the long view. And in the long view everything crumbles. But a suitable vision for the inspiration of policy, judicious choice of policy goals, and competence in strategy, should allow Americans to prolong their current strategic moment, as a later point makes explicit to be the sheriff of the current world order is a thankless role. American power may be necessary to restore such order as may be restorable, but Americans will not be loved, or even much appreciated, as a consequence. The rest of the world will be envious, fearful, and resentful, all the while seeking to use the leverage of American power for local purposes. There is no term extant that precisely captures the emerging U.S. role as sheriff of world order. For the first time since the mid-1960s, it has begun to be fashionable to refer to American policy and tasks as imperial. Andrew Bacevich, for one thoughtful example, suggest that “the preeminent challenge facing the United States in the twenty-first century is not eradicating terror but managing the informal American empire acquired during the course of the past century.” Empire, imperium even better, and hegemony, for all their popularity and at least partial suitability, carry baggage that can be distracting. Unless we are careful, such concepts themselves become part of the problem in the effort to conduct focused debate on U.S. policy and strategy. Despite the grounds for unease, we cannot deny the reality of common usage. For example, a review essay in Foreign Affairs opens with this claim: “The fact of America’s empire is hardly debated these days.” Allowing for the hyperbole and certain imprecision of meaning, still it is noteworthy that the author, Thomas Donnelly, feels able to make such a bold statement.   I prefer to think of the United States as the sheriff of the current world order, for reasons both of cultural fit concept and of tolerable accuracy. Naturally, this American role is largely self-appointed, though it can enjoy added dignity when it is blessed formally by majority votes in multinational institutions. For example, the Security Council of the United Nations licensed the United States to lead military action against Iraq in 1990-91, while the war against Yugoslavia over its “ethnic cleansing” of Kosovo in 1999 was a collective NATO, though not a UN undertaking. Because world politics comprises a distinctly immature political system, we have to be somewhat relaxed about some of the legal niceties. To call the United States the sheriff of the current world order is both description and prescription. This lawman role derives most essentially from the contemporary distribution of power, which so markedly favors the American superstate. Beyond that derivation, however, the role of sheriff is made easier to sustain by the more or less willing, though variably grudging, acquiescence of most countries.   Sheriff is of course a metaphor. By its use I mean to argue that the United States will act on behalf of others, as well as itself, undertaking some of the tough jobs of international security that no other agent or agency is competent to perform.   The American sheriff serves itself by serving the world selectively. This role requires the clearest of foreign policy explanations, lest it descend into strategic opportunism, or at least appears to do so.   U.S. material and spiritual resources are great, but not inexhaustible. They should not be expended casually in the pursuit of goals of only marginal national interest. Notwithstanding September 11 and its aftermath, the jury is out, and is likely to stay out awhile longer, on whether American society will tolerate the sheriff’s role as specified here, expect in contexts highly specific to obvious American interest. Those contexts may not include some which the world order will need a prudent sheriff to influence coercively (if not necessarily with force).  The United States is not, and should not and cannot be, the world’s policeman vis a vis any and every disturbance. The actions of this American sheriff of order are guided frankly by a national interest discriminator. The U.S. President needs to know: what has happened (or plausibly might happen); whether it matters to the United States, and if so, how much; what, if anything, he can do about it; and what cost, of all kinds, are likely to attach to action, or inaction. If the United States does not serve itself through its peacemaking behavior, its career as sheriff will be brief indeed. Altruism has a thin record in strategic history and, we must assume, an unpromising future. That is just the way it is in world politics. However, if the United States seeks to serve only itself, and rides roughshod over the interests of others, again its career as functional sheriff will be brief. The world at large will discern scant reason to cooperate with the United States, if American statecraft is crassly applied strictly on behalf of narrowly American interests. At the level of principle, if not always in attempted application, some of the critics of American so called unilateralism are correct. The United States often is more powerful when it can act with others. This is not an invariable rule. By extension, when the sheriff departs the town he has cleansed, he wants to leave it in the hands of right-minded and hopefully capable citizens. One of the indispensable keys to success in this emerging era of American guardianship is for the maximum number of countries, and extra-national interests, to believe that the United States is protecting a world order in which they all have a vital, if sometimes differential, stake. People may resent the American sheriff, and naturally be residually suspicious of American motives. But they should be prepared to welcome American ordering activity which benefits all potential victims of disorder. Americans do not need to be loved. It is sufficient to be respected and, perhaps, appreciated for the self-assumed lawman role.  The United States has an imperial history, of a sort, but has never acquired much of an imperial mindset. Commentators may discover new forms of imperialism to cover current American attitudes and behavior, and perhaps, but only perhaps, there is some small merit in the exercise. Americans are apt to view the world though missionary lenses. American is an idea, a civilization even (to stretch conceptual domain), rather than just another state. Globalization, beneath the hyperbole, is seen in America and elsewhere as equating approximately with Americanization. Whether or not, or to what extent, that is true is not a prime concern here. Instead, our gaze is fixed upon America’s role as chief protector, guardian, or sheriff of this new world with its globalizing flows of information, people, and goods. First and foremost, the United States is the agent of its own national interest, an interest that Washington, on a prudent day, judges vitally bound up with a particular idea of world order. The national  interest discriminator to which reference has been made, allows a fairly reliable four-way categorization of issues. Issues can be of survival character: they can be vital: they can be major: or they can be “other.” Survival issues must be fought for. Vital interests should be defended forcefully. Major interests might possibly be protected militarily. “Other” interests should not attract the U.S. cavalry – unless, that is, the cost is believed to be extraordinarily low (but beware of the surprise that friction and chance in war may throw your way.) The political context, or perhaps the timing, may multiply the significance of matters that otherwise would be of little concern to Washington (e.g. almost anything in the Balkans).  A useful approach to understanding the U.S. role as sheriff is by means of another four-way split. Given the contemporary, and at least short-term predictable, distribution of power (which admittedly is different in its political-military, economic, and cultural dimensions), the objectively desirable U.S. role typically is as plain as it is not yet acceptable politically to proclaim out loud. With respect to protecting the world order, my seconf four-way split, tied inalienably to the four-way national interest discriminator, is the following: There are problems that only the United States can address in hopes of achieving decisive success; there are problems that the United States should stand a reasonable prospect of meeting and at least alleviating; there are problems concerning which the United States should be expected to fare poorly; and finally, there are problems that the United States has absolutely no plausible prospect whatsoever of alleviating, let alone of resolving (e.g., resucuing and restoring certain failed states). It may be needless to add that in most cases the active support of some friends and allies will, on balance, be a significant, though rarely essential, benefit.  The United States could pick up its military ball and go home. It could choose to rely for world order on the hidden hand of universal commercial self-interest somewhat guided by such regional and local balances and imbalances of power as may be extant or might emerge. In effect, frequently this would translate as a green light for regional bullies to mark out their territories (and sea space and air space). Thus far, the contemporary United States is showing no persuasive evidence of an inclination to bring itself home as a political military influence. The issue is not whether America’s skills in statescraft are fully adequate for the sheriff role (whose would be?). Rather, it is whether there is to be a sheriff at all. If the United States declines the honor, or takes early retirement, there is no deputy sheriff, waiting, trained and ready for promotion. Furthermore, there is no world-ordering mechanism worthy of the name which could substitute for the authority and strength of the American Superpower. At present there is no central axis of a balance of power to keep order, while the regional balances in the Middle East and South and East Asia are as likely to provoke as to cool conflict – and conflict with weapons of mass destruction (WMD) at that.

#### Also essential for the economic recovery

Rodriguez 12 – Rodriguez/Makan, writers for the Globe and Mail New York. (Vivianne and Ajay, “U.S. financial sector holds key to recovery”, The Globe and Mail, Jan 2, 2012, <http://m.theglobeandmail.com/globe-investor/investment-ideas/us-financial-sector-holds-key-to-recovery/article1357286/?service=mobile>, Callahan)

Euro-zone bank contagion fears, tougher capital rules and looming restrictions on trading and derivatives continue to cloud the outlook for U.S. financials. With healthy banks widely seen as essential to economic recovery, there is concern that U.S. equities will struggle in 2012 unless financials break out of their deep slump. On the plus side, however, some investors are taking a close look at cheap bank valuations after their dismal share price performance in 2011. While U.S. equities were broadly resilient last year, outperforming global rivals, the weak performance of financials weighed heavily as the sector slumped 48 per cent from its peak of last February. At various stages last year, tumbling bank stocks stopped U.S. equity market rallies dead in their tracks. “In the long term it’s hard to see how the market can have a sustainable rally unless bank stocks recover,” said Sam Stovall, chief U.S. equity strategist at S&P’s Capital IQ. “If investors don’t see healthy banks, they have doubts for a broader economic recovery.” The importance of the financials sector within the S&P has declined since its peak weighting of 22 per cent in 2006, but it still remains a key segment of the broad market. At 13.4 per cent, the S&P financials group of 80 stocks is now the second largest sector after technology’s 19 per cent share. Apart from a few weeks in late April and early May, the trailing 20-day correlation between the S&P 500 and the financial sector has been above 0.7 all year, according to data from S&P’s Capital IQ, meaning where financials led, the broader market often followed. As 2012 gets under way, any renewed pressure on financials could well extend that tight relationship between the sector and the broad market. But for some investors, bank stocks look attractive entering the new year. Jim Paulsen, a portfolio manager at Wells Capital Management, recently decided to increase his exposure to financials citing compelling valuations and strong balance sheets. For example, when shares of Bank of America closed below $5 (U.S.) on Dec. 19, the stock was trading at just 3.5 times trailing 12 months earnings. That represents a discount of 77 per cent to its book value – the price the company’s assets could be expected to fetch in a fire sale. In 2011, B of A shares fell 58.3 per cent to $5.56. The S&P financials sector trades at a price to book ratio of 0.89 times, or less than the value of its stated assets. This low ratio suggests that investors do not trust the value of bank assets and expect writedowns over time. But, historically, such a low price to book ratio has attracted value investors who patiently bide their time waiting for vindication. “U.S. financial stocks … more than any other sector have a huge ‘fear discount’ in them which could ease should confidence build,” Mr. Paulsen said. Cheap prices and low valuations have led Goldman Sachs’ bank analyst Richard Ramsden to rate shares of Bank of America, as well as those of JPMorgan Chase , as a “buy.” Other key U.S. banks such as Citigroup and Wells Fargo also trade cheaply with their stocks down 44.4 per cent at $26.31 and 10.9 per cent at $27.56, respectively. JPMorgan has a price-to-book ratio of 0.6 and its stock price fell 21.6 per cent to $33.25 in 2011. Turning to the last remaining bulge bracket investment banks, Goldman Sachs dropped 46.2 per cent to $90.43 last year, while Morgan Stanley trades at $15.13, a fall of 44.4 per cent in 2011. But to break through the current gloom over financials, investors need to believe that there is some possible upside for U.S. banks.

### **1ac Steel Industry Adv**

#### Contention \_\_\_\_\_ is the Steel Industry ---

#### The steel industry is growing now, but remains fragile – new transportation infrastructure projects are vital to maintain momentum

Brooks, 12 – Foundry Management & Technology Editor-in-chief at IndustryWeek (Robert Brooks, “Domestic Steelmakers are Strong, But Concerned”, IndustryWeek, 4/12/12, <http://www.industryweek.com/articles/domestic_steelmakers_are_strong_but_concerned_27078.aspx?SectionID=5> | AK)

The U.S. steel industry is bullish on the progress and trajectory of the manufacturing sector, but its leaders would like some help keeping it going. In a Wednesday conference call, United States Steel Corp. (IW 500/60) Chairman and CEO John Surma and American Iron and Steel Institute president and CEO Thomas Gibson presented the AISI’s 2012 public-policy priorities, heavily emphasizing the ways economic growth is impeded by specific federal actions, and inaction. Surma, who is the current chairman of AISI, the primary steel industry’s trade association, began the presentation by noting a recent economic analysis from University of Wyoming Professor Timothy Considine, whose specialty is energy economics. That report concluded domestic steelmakers are playing a significant role in the manufacturing sector’s post-recession resurgence because of its high degree of interrelation with other economic sectors. Surma pointed to the energy, construction, and transportation sectors as examples of the impact domestic steel has had on the manufacturing rebound. “Every one job in the U.S. steel industry supports seven jobs in the U.S. economy, reflecting its ripple effect on employment,” Considine wrote, and Surma reiterated. The report found that in 2011, the domestic steel industry directly employed 150,700 people and thanks to its multiplier supported at least 1,022,009 jobs. Surma emphasized that domestic steelmakers contributed more than $101 billion to the U.S. economy. Purchases of raw materials, energy, and supplies, are stimulating economic growth and employment on a wide scale, he said. However, the U.S. Steel chairman stressed the need for the federal government to take steps that would establish more certainty in the economic outlook. He listed several factors inhibiting economic growth: “burdensome” corporate tax rates, uncertain energy costs, inadequate infrastructure investments, increasing regulatory burdens, and foreign unfair trade practices. These are not new issues, Surma noted, but he emphasized that the need to address them is, for domestic steelmakers, “very, very immediate.” Steelmakers are prepared to capitalize on the U.S.’s “abundant and available” supply of energy resources -- notably shale oil, he said -- but those opportunities are limited by federal regulatory policies. The delayed Keystone XL Pipeline project was cited as a singular example of this situation. Surma also said rebuilding the U.S. transportation infrastructure should become a “top national priority.” And, he stated that any tax-reform initiative must proceed from an objective of strengthening the U.S. industrial base by reducing the overall tax burden on manufacturers. “This is an essential issue that AISI is actively discussing with members of Congress,” Surma said. “With manufacturing leading the nation out of the recession, the time is right for tax reform,” he said, “considering that the U.S. now has the highest corporate tax rate of any industrialized nation in the world.” Surma described the investments that domestic steelmakers have made since 1990 to reduce their operations’ energy-intensity (-27% per ton of steel produced) and CO2 emissions (-33% per ton of steel shipped). “Despite these advances, the federal regulatory agencies, especially U.S. EPA, have been aggressive,” he asserted. “We urge the administration to take a step back and delay, revisit, and revise, some of these new rules, so that we don’t make ourselves uncompetitive in the global marketplace,” Surma said. “Some of these rules are actually counter-productive, and would actually increase energy cost uncertainties with little or no environmental benefit.” The example he cited is the Industrial Boiler MACT Rule that in current form, he said, could force coke producers to flair coke-oven gas rather than recover and use it in the industrial process -- a common arrangement in those operations. Surma said the rule would make it cheaper to flair the gas than to comply with the new regulation, and then to buy natural gas as an alternative to coke oven gas, though this would result in no additional environmental benefit. Returning to the earlier point of energy uncertainty, and relating it to the regulatory uncertainty, Surma said the AISI’s position is that individual states are in a much better position to manage regulations governing hydraulic fracturing for natural gas drilling. “Fracking” is a market with considerable economic opportunity for steelmakers. “Federal agencies should recognize this,” he said, “and avoid adding new layers of inefficiency and cost that could harm our competitiveness.” Surma concluded his list of objectives by calling for a “more effective U.S. trade policy to combat foreign unfair trade practices.” He said this matter is one of “particular importance to our AISI policy agenda.” China’s export-protection policies and currency-devaluing practices were his primary example of the ways that international trade injures domestic manufacturing. Gibson said the AISI’s legislative priority would begin with its desire for a resolution to the federal surface transportation authorization bill. The so-called highway bill has been delayed nine times by the U.S. House of Representatives, reportedly because of disagreement between the House Republican leadership and its Caucus. Congress has not agreed on a new transportation-infrastructure funding bill since a six-year program expired in 2009. The U.S Senate passed a new version last month to provide two years of funding, but House efforts to pass a longer-term bill are stalled and so no compromise bill is possible. The impasse forced the House to pass its ninth temporary extension of the old law before its current two-week recess. The extension of funding will last 90 days. Gibson and Surma both expressed understanding for the budget-cutting priorities of some Republican House members who are widely considered the obstacles to a new six-year bill. However, Gibson said the AISI would accept the short-term certainty of two years of funding provided by the Senate version of the bill, rather than a tenth extension of the 2009 program that provides no strategic outlook for steelmakers and other manufacturers.

#### Now is key – focusing on new projects is key to the industry’s survival

King, 12 – political writer for the Wheeling News-Register and the Intelligencer (Joselyn King, “’Future Of Steel’ Topic In D.C”, Wheeling News-Register, 3/25/12, <http://www.theintelligencer.net/page/content.detail/id/567562/Future-Of-Steel-Topic-In-D-C.html?nav=515> | AK)

WHEELING - Congress must take action to protect American manufacturing - and along the way make certain the U.S. steel industry survives, said U.S. Rep. David B. McKinley. McKinley, R-W.Va., last week attended the annual "State of the Steel Industry" hearing in Washington, D.C., where steel leaders discussed issues affecting their business. "We have seen the chilling affects that over regulation by the Federal government, Chinese currency manipulation and illegal dumping of manufactured goods - as well as irrational court decisions in the World Trade Organization courts and the U.S. Court of International Trade - have caused ..." McKinley said. "What we heard ... is that Congress must take action to protect America's manufacturers and their employees who continue to suffer due to unfair policies and decisions. At a time when 23 million Americans are unemployed or underemployed, Congress must put partisan politics and bickering aside to do what is right for our nation." McKinley was among the co-sponsors of House Resolution 4105, which allows for duties on imports into the United States from countries that subsidize manufacturing. The bill was passed by the House and Senate earlier this month, and has since been signed into law by President Barack Obama. A second bill clarifies that additional duties may be imposed to address subsidies relating to a fundamentally undervalued currency of any foreign country. The bill has not moved in the House. In the Senate, Sen. Sherrod Brown, D-Ohio, introduced the Currency Exchange Rate Oversight Reform Act of 2011 that passed into law late last year. The measure requires the U.S. Commerce Department to investigate if a country is undervaluing its currency, while releasing the findings to the public. "But we continue to leave this vital American industry at risk when we buy steel - whether for military armor plates or for transportation infrastructure - from foreign countries," he said. "Taxpayer dollars should be spent on American-made steel, the very best available to protect our service members, and to reinforce our highways and bridges. "We know how to make steel from start to finish right here in America. There's no reason why countries like China, Russia, and Brazil should be doing it for us." Sen. Rob Portman, R-Ohio, said the steel industry in the Ohio Valley is doing better and can have a bright future, "so long as the federal government does a better job creating the right business environment." "This means more sensible regulations, trade policy that ensures other countries comply with the rules, and other pro-growth policies including more development of domestic sources of energy on private and public lands," he said. "If we encourage a continued growth of oil and natural gas production in shale formations like the Marcellus and the Utica, we will stabilize energy costs for manufacturers, increase demand for products and fortify the nation's economy." Jay Rockefeller, D-W.Va., noted a thriving manufacturing base in the U.S. is essential for our future. "Our steelworkers are second to none, and they continue to make products every day that we can all be proud of," he said. "I have continued to work to bring new investors for steel companies in the state, fought for a tax credit that would help support our steel and coal communities and the jobs that depend on them, and make sure that American steel is used to build our roads and bridges." A decline in the steel industry makes America vulnerable, according to Sen. Joe Manchin, D-W.Va. "This leaves us in a dangerous position of not being able to manufacture critical products, therefore eroding our economy and leaving us dependent on other countries," he explained. This is why it is so important that we must start rebuilding America and the first step is to focus on our infrastructure and our steel and manufacturing sectors."

#### The 2009 ARRA was insufficient – establishing a national infrastructure bank is crucial

Robertson, 10 – Pittsburgh Bureau chief at American Metal Market (Scott Robertson, “Obama infrastructure plan a first step, but short of needs: steel”, American Metal Market, 9/10/10, General OneFile | AK)

PITTSBURGH -- Steel industry players said President Obama's planned $50-billion investment in a national infrastructure program falls far short of what's required, estimating some $2.2 trillion might be necessary over the next five-plus years to put the national infrastructure on globally competitive ground. Obama announced in Milwaukee on Labor Day the planned investment to rebuild U.S. roads, bridges and runways, seen by steel and transportation industry officials as a necessary first step in a long-needed process as they also renewed their call for reauthorization of a surface transportation bill that they say is critical to an infrastructure rebuild that would create jobs, strengthen the U.S. manufacturing base and stimulate steel demand. "The SMA has supported rebuilding of the American infrastructure, and not just to the tune of $50 billion in one year," Thomas A. Danjczek, president of the Steel Manufacturers Association, Washington, said. "We've supported the need to spend $2.2 trillion over the next five years. We have always supported Sen. (James) Oberstar's long-term legislation aimed at rebuilding the transportation infrastructure. However, we strongly advocate the establishment of a federal infrastructure bank to expand and enhance transportation infrastructure project spending." Kevin Dempsey, senior vice president of public policy at the American Iron and Steel Institute (AISI), Washington, called the proposed $50-billion investment "the first down-payment" on a multiyear surface transportation reauthorization. "The White House has pointed out that the surface transportation bill has been reauthorized only on a temporary basis," Dempsey said. "The President is urging Congress to pass a long-term reauthorization.... A long-term package would provide the kind of investment required that would result in additional demand for steel." The steel industry demand wasn't met by the American Recovery and Reinvestment Act, the $787-billion economic stimulus package launched by the Obama administration a year ago in an attempt to bring the economy out of recession. That bill, which many hoped would spark massive rebuilding of roads and bridges and subsequent demand for steel, resulted in money going to many projects that seemed only to clean and polish rather than actually rebuild. The AISI advocates passage of a six-year bill that would provide $500 billion in investment, including about $450 billion for highways and $50 billion for the transit sector. The long-term investment would help avoid some of the problems the initial stimulus package failed to solve, Dempsey said. "Really, it is an investment in our economy--there is a cost, but the transportation infrastructure is one of the bedrocks on which our national economy is built," he said. "The global competitiveness of our economy depends on our having a first-class transportation infrastructure." A U.S. Transportation Department report showing that 25 percent of the nation's bridges are in need of repair or replacement underscores the need for longer-term investment, Dempsey said. "When you focus on the short term, you get too much of a quick-fix thing, like we got with the paving projects in the first stimulus. That's not the answer. It's not what is needed. Long-term investment is far more important to the future benefit of our economy." Danjczek agreed, pointing to the costs associated with inaction. "In light of our current economic recession, there is a concern over the cost of such proposals," he said. "But it also is useful to consider the cost of inaction and further deterioration of our highway and bridge systems." Transportation officials agree that investment is needed, although some are skeptical that the money will reach its intended targets. Al Dworakowski, public relations director at PGT Trucking Inc., Monaca, Pa., said it is no secret that the nation's roads and bridges need repair. He remains mystified, though, with what happens to the large amount of tax dollars and fees his company and others pay, and wonders if the Obama infrastructure bank idea might be just another political maneuver that doesn't generate the desired results. "I can't say this (infrastructure bank proposal) is a good thing or a bad thing because I don't really know where the money goes," he said. "I know that as a company we pay a lot of money in fees and taxes--fuel taxes and things like that--but I don't know what happens to that money. If it goes to roads and bridge repairs, that's good, but I don't know that it really goes there." The American Road and Transport Builders Association (ARTBA), Washington, also is involved in a grassroots effort aimed at educating Congress about the need for long-term investment. "This is a step in the right direction," Jeffrey Solsby, the group's director of public affairs, said. "We're cautiously optimistic it will be approved. We believe any investment must be accompanied by a six-year bill and not be a temporary measure." While some details of the President's plan remain "sketchy" and it's difficult to tell how the plan will improve on the initial infrastructure stimulus package, ARTBA remains hopeful, Solsby said. "The President has said we need to spend more on infrastructure because we know the work needs to be done and because (infrastructure work) is a proven job creator. The second thing he said is that he wants to see a transportation bill passed as soon as possible. We want to see that, too. It's something we see as critical to the (success and growth of) the economy."

#### The highway reauthorization bill wasn’t enough either – a substantial new investment is vital

STI, 12 – is an English language journal. It contains a digest of global news, events, statistics, and stockholding news, as well as more detailed technical articles, company and country profiles, conference reports and regular regional economic briefings. The target readership are managers and CEOs in the steel industry, but it is also widely read by stockholders, members of research organizations, technical consultants and business consultants, citing Timothy J. Considine, Ph.D. and Professor of Economics at the University of Wyoming, John P. Surma, Chairman and CEO of the United States Steel Corp., and Thomas J. Gibson, President and CEO of the American Iron and Steel Institute (Steel Times International, “American Iron and Steel Institute calls for further Government intervention”, STI, May/June 2012, <http://www.steeltimesint.com/contentimages/features/AISI-USAbriefing.pdf> | AK)

THE American Iron and Steel Institute has a mission to influence public policy and educate and shape public opinion in support of a strong, sustainable US and North American steel industry committed to manufacturing products that meet society’s needs. It is comprised of 26 member companies, including integrated and electric furnace steelmakers, and 130 associate and affiliate members who are suppliers to customers of the steel industry. AISI's member companies represent approximately 80% of both US and North American steel capacity. In mid April, the organisation held a Press Conference to address various matters of importance to steel producers in North America. John P Surma, chairman and CEO of United States Steel Corp, Pittsburgh and also the current chairman of AISI said that while the US steel industry is clearly in recovery mode, it is still facing certain significant challenges to its international competitiveness, including burdensome tax rates, uncertain energy costs, inadequate investments in infrastructure, increasing regulatory burdens and foreign unfair trade practices. “These issues are not new, but the urgency for us to address them is very, very immediate,” he stressed. Steel drives recovery As highlighted by a recent report written by Prof Timothy J Considine, an economist with the University of Wyoming, the steel industry a major factor in the recent rebound of the US manufacturing sector, which, according to Thomas J Gibson, AISI’s president and CEO, has consistently grown since 2010 and continues to drive the economy out of the recession. Nevertheless, he says there is an urgent need to address key policy issues to help continue the resurgence of the steel industry. The report in summary or full is addressed in more detail in the USA and Latin American Updates in the May/June issue of Steel Times International and is available as a download in summary or full as a link from the AISI Home page www.steel.org/ Shale gas vital to development “As an energy intensive industry our competitiveness will increase in direct relationship to our ability to capitalize on our nation’s abundant and affordable energy supply. The discovery and development of North America’s shale (gas) resources has the potential to be the most remarkable source of economic growth and prosperity that we will see in our lifetimes,” Surma says, adding that a second positive dimension of shale gas resource development for the steel industry is that steel pipe and tubular products that US steelmakers produce are integral to the exploration, production and transmission of natural gas and oil. “By developing our natural gas and oil reserves, our nation can lessen its dependence on foreign oil, create thousands of jobs and spur economic growth,” Gibson says. “However, one the biggest threats in developing our nation’s domestic energy sources is overly burdensome and misguided federal regulations.” Canada - USA pipeline Regarding the controversial Keystone XL pipeline extension project – a 1897km (1179mile) pipeline from Hardisty, Alberta in Canada to carry crude oil derived from tar sands to Steele City, Nebraska, USA for onwards transmission to refineries in Illinois and on the Gulf Coast at Houston and Port Arthur, Texas, Surma says the AISI supports the entire pipeline, although it is not particularly happy that TransCanada did not buy more US sourced material for that project. “(Nevertheless) the ancillary construction associated with the project should it be completed will be good for the steel industry.” Transport infrastructure AISI is also calling for the US Congress to pass a new, robust, long term surface transportation bill as opposed to continually extending the old one three months or so at a time. “We must make rebuilding our crumbling transportation infrastructure system a top national priority,” Surma says, adding that doing so is essential to doing business efficiently and for the US to maintain its dominant role in the global economy. Just before Congress went on recess in late March it passed its ninth 90-day extension of the surface transportation bill, which will guarantee funding for the nation’s bridges, highways and roads until June 30. The US House of Representatives in mid-April passed what would be a tenth 90-day extension, taking the bill to the end of September, although that bill is not expected to pass the Senate because of factors relating to the Keystone XL pipeline which is being opposed by some environmental groups. Gibson says the extension of the bill will not provide the boost that the US economy, and the steel industry, needs. “We need a long-term bill with level funding so that the states can plan the bigger construction projects that can produce the valuable jobs and generate the demand for steel, concrete and other materials. “Our preference would be the longest, most robustly funded bill that this Congress can produce,” Surma says, which would be the House leadership’s five-year, $260bn surface transportation authorization bill, which, if passed, would include energy and natural resource provisions to open up on-shore and offshore bans for oil and gas drilling leases. Gibson lauded the Senate for doing its job and passing a two year, $109bn reauthorization bill in mid-March. Now, he says the House, which has not passed a bill yet, must act and pass a bill that could be conferenced with the Senate measure. The question, however, lies in how to pay for such a bill given all the concerns of the burgeoning US deficit. “Transportation is a core function of government and it costs something to fund,” Gibson says, however, he observes that the traditional way to do that, the highway fund, which is funded by a tax on gasoline, is falling short, partly because vehicles are becoming more fuel efficient and Americans are changing their driving behavior. He called on the government to be more creative in finding a funding solution, including possibly more public/private partnerships. Call for Fair Trade Surma added that the AISI is supporting a more effective US trade policy to combat foreign, unfair trading practices, including China’s “protectionist policy that gives Chinese exports an artificial advantage over American goods by undervaluing its currency by as much as 30%.” Gibson notes that the steel industry celebrated a big victory on the trade front in early March when President Obama signed legislation overturning an erroneous federal Court of Appeals ruling on the application of countervailing duty laws against subsidized products, including steel, from China and other non-market economies. “I think that is proof that when Congress is faced with time critical problem they can act in a bipartisan manner to solve it.” While he called that “a significant victory,” Gibson says there are still other areas that need to be addressed to make sure the US steel industry is competing on a level playing field. “It is critical that the Obama administration and Congress continue to pressure foreign governments, such as China, that continue to artificially undervalue their currency. We cannot give a free pass to countries that flagrantly disregard their WTO commitments,” he adds. Summing up the AISI’s priorities for 2012, Surma states, “A strong manufacturing sector creates significant benefits for our society, including good paying jobs, investment in research and development, critical materials for our national defense and high value exports. We must address each of these issues if we want our nation’s manufacturing sector to continue to thrive and drive the economic recovery.”

A national infrastructure bank is critical – new infrastructure investments are vital to stimulate steel and manufacturing demand

Danjczek et al., 11 – President of the Steel Manufacturers Association (Thomas A. Danjczek, “2011 — 2012 PUBLIC POLICY STATEMENT STEEL MANUFACTURERS ASSOCIATION”, Steel Manufacturers Assocation, 2011-2012, <http://66.39.14.41/public_policy/public_policy.pdf> | AK)

The Need for Infrastructure Investment The infrastructure is the backbone of our nation’s economy. The US interstate system was at one point the envy of the entire world, and was instrumental in the growth of our economy, and emergence as the world’s greatest power. But development has not kept pace with changing demographics over the past several decades, and the US continues to vastly under-invest in its transportation infrastructure. Worse still, these funds are typically the first to be redirected when addressing budget shortfalls in other areas. Continuous delays in highway bill reauthorization and a reliance on short-term funding extensions will have damaging implications for project planning and manufacturing growth. In order to stimulate growth in manufacturing employment, US policymakers need to address the challenges of funding mechanisms and sufficiently invest long-term in America’s infrastructure. The US Congress needs to pass a multiyear transportation reauthorization to help rebuild our crumbling roads, bridges, and infrastructure. Economic Impact The latest research by the Department of Transportation shows that each $1 billion of federal investment in highways creates an estimated 35,000 American jobs. These are well-paying positions that support families across the nation. Highway investment has been shown to stimulate the economy more than any other federal expenditure. According to research by Standard and Poor’s DRI, each dollar invested in highway construction generates $1.80 of Gross Domestic Product in the short term. This stimulating effect on the economy is greater than income or payroll tax cuts, or increases in unemployment benefits. In a 2009 report by the American Society of Civil Engineers (ASCE), the US infrastructure was given an overall grade of “D”. ASCE projected an infrastructure funding need of $2.2 trillion over five years. With crumbling bridges, bursting water pipes, and dangerous, congested highways, the safety of American lives is jeopardized by an under-funded infrastructure. Additionally, traffic on our highways and underdeveloped passenger rail systems contribute to the waste of countless barrels of oil, impacting our environment, and increasing US dependence on foreign energy sources. American companies are placed at a competitive disadvantage in increasingly global markets as they compete with foreign producers who operate in nations that fund their transportation infrastructures at much greater rates, as is true of most of our major trading partners. While this is to be expected for developing countries such as China and India, the EU also continues to invest in its infrastructure at a much higher rate, as a percentage of GDP. Increasing Our Investment in America Responding to a Congressional mandate, the National Surface Transportation Policy and Revenue Study Commission released a bipartisan report in January 2008 that outlined US infrastructure needs, projections for the next 50 years, and possible funding mechanisms. This report calls for an annual infrastructure investment of at least $225 billion for the next 50 years. We are spending less than 40 percent of that amount today. Where will the money come from? The SMA has for years advocated the need of a Federal Infrastructure Bank to expand and enhance transportation infrastructure project funding. Congress should move to enact provisions that would create a federal entity that would finance infrastructure projects by utilizing both public and private capital, including international funds. This would help to minimize political impediments in the funding process, and expedite the approval of key projects.

#### Three impacts –

#### First, the economy – the steel industry’s vital to all sectors

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This study estimates the contributions of the American steel industry to the U.S. economy. The steel industry is defined here to include two sectors: iron and steel mills and ferroalloys and steel product manufacturing from purchased steel. Based upon data compiled by MIG, Inc. from U.S. Department of Commerce data, the American steel industry directly employed more than 139,000 workers and contributed $17.5 billion in value added or gross domestic product during 2010. The economic contribution of the steel industry to the U.S. economy, however, goes beyond these sector specific measures because steel companies purchase inputs from many other sectors of the U.S. economy. Moreover, the steel industry contributes to household income, which then induces additional rounds of stimulus to the economy as households spend this income on goods and services. For instance, during 2010 the steel industry purchased more than $20 billion of materials produced in other industries, $8 billion of services, $5 billion of energy products, $4.5 billion of machinery, $4.4 billion from wholesale and retail trade sectors, more than $4 billion of transportation services, and generated $12.4 billion in labor income. Clearly, the steel industry supports businesses and jobs in many sectors of the U.S. economy. To map these interdependencies, this study employs an input-output table of the U.S. economy with the IMPLAN system from MIG, Inc. to estimate these indirect or supply chain impacts as well as the impacts induced by the spending of household income contributed directly and indirectly by the steel industry. Our economic impact analysis indicates that the steel industry directly contributed $17.5 billion of value added, $40 billion indirectly via supply chain spending, and induced another $35.8 billion as households spent their income generated from these activities. So in terms of net contribution to the U.S. economy the American steel industry contributed $93.4 billion to gross domestic product during 2010. Likewise, the steel industry directly employs over 139,000 workers, supports another 360,986 workers indirectly through the supply chain, and induces spending by households that supports another 443,002 jobs in other sectors of the economy. In total the steel industry supported 943,045 jobs in the U.S. economy during 2010. With higher levels of steel sales during 2011, the American steel industry contributes $101.2 billion to gross domestic product, and generates $22.9 billion in tax revenues at the federal, state, and local level, for a gross economic output of over $246 billion. Since steel is the most prevalent material in our economy, the steel industry is highly interrelated with other economic sectors, as reflected in the ripple effect on employment. Every one job in the U.S. Steel industry creates seven jobs in the U.S. economy. For 2011, the industry directly employs 150,700, and given the multiplier effect, supports more than 1,022,009 jobs.

#### Economic decline triggers worldwide conflict**Royal, 10** – Jedediah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, (Economic Integration, Economic Signaling and the Problem of Economic Crises, Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215)

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modclski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin, 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fearon. 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner, 1999). Separately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland's (1996. 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write: The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other. (Blomberg & Hess, 2002. p. 89) Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg. Hess. & Weerapana. 2004). which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. 'Diversionary theory' suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1990, DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. In summary, recent economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels.' This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention. This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict, such as those mentioned in the first paragraph of this chapter. Those studies tend to focus on dyadic interdependence instead of global interdependence and do not specifically consider the occurrence of and conditions created by economic crises. As such, the view presented here should be considered ancillary to those views.

#### Second, hegemony – a strong steel industry is the vital internal link to military primacy

AISI, 7 – serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI also plays a lead role in the development and application of new steels and steelmaking technology (American Iron and Steel Institute, “STEEL AND THE NATIONAL DEFENSE”, AISI, January 2007, <http://www.ssina.com/news/releases/pdf_releases/steel_and_national_defense_0107.pdf> | AK)

The U.S. carbon/alloy and specialty steel industries are vital partners to American defense contractors and to the DOD. Domestic and specialty metals are found in virtually every military platform. Whether it is missiles, jet aircraft, submarines, helicopters, Humvees® or munitions, American-made steels and specialty metals are crucial components of U.S. military strength. A few examples follow: 1. The Joint Strike fighter F135 engine, the gears, bearings, and the body itself, will use high performance specialty steels and superalloys produced by U.S. specialty steel companies. 2. Land based vehicles such as the Bradley Fighting Vehicle, Abrams Tank, and the family of Light Armored Vehicles use significant tonnage of steel plate per vehicle. 3. Steel plate is used in the bodies and propulsion systems of the naval fleet. 4. The control cables on virtually all military aircraft, including fighter jets and military transport planes, are produced from steel wire rope. Numerous additional examples illustrating how steel and specialty metals directly support the U.S. defense industrial base are provided in Appendices 1 and 2. These materials are an integral part of many diversified military applications and, as such, are in a continuing state of technological development. Steel’s importance to the military must also be looked at in a broader context to include both direct and indirect steel shipments to the military infrastructure that are needed to support our defense efforts, both at home and overseas -- e.g., all of the steel that goes into the rails, rail cars, ground vehicles, tanks, ships, military barracks, fences and bases, which are not classified as shipments to ordinance, aircraft, shipbuilding or other military uses. The September 11 attacks on the United States made it clear that (1) steel will be needed to “harden” existing U.S. infrastructure and installations and (2) a strong and viable domestic steel industry will be needed to provide immediate steel deliveries when and where required. Consider the potential difficulties the U.S. would face in defending, maintaining and rebuilding infrastructure in an environment where our nation is largely dependent upon foreign steel. By becoming even more dangerously dependent upon offshore sources of steel, the United States would experience sharply reduced security preparedness in the face of: • Highly variable, and certainly higher, costs; • Uncertain supply, impacted by unsettled foreign economies and politics; • Quality, design and performance problems; • Inventory problems, long lead times and extended construction schedules. In Appendix 3 of this paper, we illustrate how the U.S. depends upon a healthy American steel industry to meet the growing U.S. demands for steel-intensive infrastructure. Engineers and contractors on sophisticated infrastructure projects require an uninterrupted supply of quality steel that they can depend upon to meet the performance characteristics of a project’s design, delivered on time, and at a competitive cost. U.S. national economic security requires a strong and viable domestic steel industry to meet all of these criteria on a consistent basis.

#### Heg prevents global nuclear war

**Barnett, 11** [Thomas Barnett,  *Chief analyst at Wikistrat, former visiting scholar at the University of Tennessee’s Howard Baker Center for Public Policy and a visiting strategist at the Oak Ridge National Laboratory, former Senior Strategic Researcher and Professor in the Warfare Analysis & Research Department, Center for Naval Warfare Studies,* March 7, 2011, “The New Rules: Leadership Fatigue Puts US, and the Globalization, at Crossroads”, World Politics Review, http://www.worldpoliticsreview.com/articles/8099/the-new-rules-leadership-fatigue-puts-u-s-and-globalization-at-crossroads]

Events in Libya are a further reminder for Americans that we stand at a crossroads in our continuing evolution as the world's sole full-service superpower. Unfortunately, we are increasingly seeking change without cost, and shirking from risk because we are tired of the responsibility. We don't know who we are anymore, and our president is a big part of that problem. Instead of leading us, he explains to us. Barack Obama would have us believe that he is practicing strategic patience. But many experts and ordinary citizens alike have concluded that he is actually beset by strategic incoherence -- in effect, a man overmatched by the job.  It is worth first examining the larger picture: We live in a time of arguably the greatest structural change in the global order yet endured, with this historical moment's most amazing feature being its relative and absolute lack of mass violence. That is something to consider when Americans contemplate military intervention in Libya, because if we do take the step to prevent larger-scale killing by engaging in some killing of our own, we will not be adding to some fantastically imagined global death count stemming from the ongoing "megalomania" and "evil" of American "empire." We'll be engaging in the same sort of system-administering activity that has marked our stunningly successful stewardship of global order since World War II.  Let me be more blunt: As the guardian of globalization, the U.S. military has been the greatest force for peace the world has ever known. Had America been removed from the global dynamics that governed the 20th century, the mass murder never would have ended. Indeed, it's entirely conceivable there would now be no identifiable human civilization left, once nuclear weapons entered the killing equation.  But the world did not keep sliding down that path of perpetual war. Instead, America stepped up and changed everything by ushering in our now-perpetual great-power peace. We introduced the international liberal trade order known as globalization and played loyal Leviathan over its spread. What resulted was the collapse of empires, an explosion of democracy, the persistent spread of human rights, the liberation of women, the doubling of life expectancy, a roughly 10-fold increase in adjusted global GDP and a profound and persistent reduction in battle deaths from state-based conflicts.

#### Third, warming – a vibrant domestic industry is key to green technology and significantly reducing CO2 emissions

RP Newswires, 9 – citing Thomas J. Gibson, CEO and President of the American Iron and Steel Institute (Reliable Plant Newswires, “U.S. steelmakers leading green, industrial renaissance”, Reliable Plant, 2009, [http://www.reliableplant.com/Read/20164/us-steelmakers-leading-green,-industrial-renaissance](http://www.reliableplant.com/Read/20164/us-steelmakers-leading-green%2C-industrial-renaissance) | AK)

One of America's best kept secrets is the extent to which its domestic steel industry has been a leader in the country's industrial renaissance, Thomas J. Gibson, president and CEO of the American Iron and Steel Institute (AISI) points out, as leaders from around the world head to Pittsburgh this week for the G-20 Summit. While domestic steel production has moved to different regions of the country over the years, U.S. Steel is headquartered there, one of the nation's top steel producers, and innovative technologies are what continue to push American steel into the forefront of world steel achievements. "Steel productivity has more than tripled since the early 1980s leading the way among manufacturers, the industry has dramatically cut energy efficiency per ton of steel by 33 percent since 1990, and steel, the most recycled material on the planet, is the material that will help build America's green energy grid, its solar panels and its wind turbines as we continue to make the country stronger at home and abroad," Gibson said. Other ways the steel industry has embraced the green movement include: · being the only significant industry in the United States to increase production while cutting energy consumption; · reducing energy intensity by 10 percent between 2002 and 2004, and by 15 percent since 2002; · generating only between 1 and 2 percent of greenhouse gas emissions in the U.S.; · being globally recycled more than aluminum, paper, glass and plastic combined. The American steel industry is currently conducting research on the next generation of iron and steelmaking technologies that will dramatically reduce or eliminate CO2 emissions. This research, called the CO2 Breakthrough Program, represents significant progress towards carbon-free iron-making. One project under way at MIT produces iron by molten oxide electrolysis (MOE) and generates near zero CO2 emissions. A second project called "Iron-making by Hydrogen Flash Smelting" now being conducted at the University of Utah, replaced carbon as a blast-furnace fuel with hydrogen.

#### Warming causes extinction

Sify, 10 – Sydney newspaper citing Ove Hoegh-Guldberg, professor at University of Queensland and Director of the Global Change Institute, and John Bruno, associate professor of Marine Science at UNC (Sify News, “Could unbridled climate changes lead to human extinction?”, <http://www.sify.com/news/could-unbridled-climate-changes-lead-to-human-extinction-news-international-kgtrOhdaahc.html>

The findings of the comprehensive report: 'The impact of climate change on the world's marine ecosystems' emerged from a synthesis of recent research on the world's oceans, carried out by two of the world's leading marine scientists. One of the authors of the report is Ove Hoegh-Guldberg, professor at The University of Queensland and the director of its Global Change Institute (GCI). 'We may see sudden, unexpected changes that have serious ramifications for the overall well-being of humans, including the capacity of the planet to support people. This is further evidence that we are well on the way to the next great extinction event,' says Hoegh-Guldberg. 'The findings have enormous implications for mankind, particularly if the trend continues. The earth's ocean, which produces half of the oxygen we breathe and absorbs 30 per cent of human-generated carbon dioxide, is equivalent to its heart and lungs. This study shows worrying signs of ill-health. It's as if the earth has been smoking two packs of cigarettes a day!,' he added. 'We are entering a period in which the ocean services upon which humanity depends are undergoing massive change and in some cases beginning to fail', he added. The 'fundamental and comprehensive' changes to marine life identified in the report include rapidly warming and acidifying oceans, changes in water circulation and expansion of dead zones within the ocean depths. These are driving major changes in marine ecosystems: less abundant coral reefs, sea grasses and mangroves (important fish nurseries); fewer, smaller fish; a breakdown in food chains; changes in the distribution of marine life; and more frequent diseases and pests among marine organisms. Study co-author John F Bruno, associate professor in marine science at The University of North Carolina, says greenhouse gas emissions are modifying many physical and geochemical aspects of the planet's oceans, in ways 'unprecedented in nearly a million years'. 'This is causing fundamental and comprehensive changes to the way marine ecosystems function,' Bruno warned, according to a GCI release. These findings were published in Science

### 1ac Plan

#### Plan: The United States federal government should establish a national bank to substantially increase its investment in transportation infrastructure.

### 1ac Solvency

#### Contention \_\_\_\_\_ is Solvency ---

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

Lovaa, 11 --- Federal Transportation Policy Director for NRDC (6/28/2011, Deron, “An Infrastructure Bank for Transportation,” <http://switchboard.nrdc.org/blogs/dlovaas/an_infrastructure_bank_for_tra.html>, JMP)

Another creative funding idea that’s getting some attention lately is a national infrastructure bank, an independent entity that would use government funding to attract major private investment in public infrastructure projects. NYU professor Michael Likosky recently convened a meeting between Treasury officials, bankers, pension funds and hedge fund managers to discuss how such a bank might work. It’s the first time this diverse group has ever shared their opinions with the government on this idea – and apparently some of them are bullish on it.

Infrastructure banks in other parts of the world have proven to be largely successful in leveraging public money. The European Investment Bank (EIB), owned and funded by the European Union, finances investments worth $470 billion using only about $50 billion in government funds. That’s a ratio of more than 9:1 in private versus public funding. The bank, which has funded huge projects like the Port of Barcelona and the TGV rail system that connects France and Spain, consistently turns a profit and has had only negligible delinquencies over the past five decades, according to economists Robert Skidelsky and Felix Martin, writing in the New York Review of Books.

Likosky, an expert on public-private partnerships and author of Obama’s Bank: Financing a Durable New Deal, has a fairly expansive vision of how a national infrastructure bank would operate – he’s talking about something on the level of the EIB that could finance investments on the order of $500 billion. Even Fareed Zakaria recently wrote about the need for a national infrastructure bank.

The problem is that in our current political climate, talk of using public funds to create a government bank is a total turn-off to many Republicans. No matter how great its potential benefits, a large, national infrastructure bank is exceedingly unlikely to pass muster with this Congress.

However, the concept of an infrastructure bank in and of itself shouldn’t scare anyone off, since **the size of the bank can be scaled down and still have tremendous benefits. A scaled-down infrastructure bank, devoted solely to transportation, could be more palatable to the reduced fiscal appetites of today’s Congress.**

President Obama recently proposed exactly this in his new 2011 budget. His National Infrastructure Innovation and Finance Fund (notice the absence of the word “bank”) would be housed under the Department of Transportation, and oversee $4 billion in funds over the next two years.

This is significantly smaller than the infrastructure bank he proposed last year, which was intended to be funded at $5 billion per year for five years. Yet even at this smaller scale, the bank can still be effective at leveraging public money to attract private investors for critical infrastructure projects.

An infrastructure bank for transportation would make merit-based loans for infrastructure improvements, using public funds to attract investment from the private sector. A merit-based system would make more efficient use of funds than the current, earmark-heavy funding that dominates the federal transportation program.

Through the bank, federal, state and local governments could work together with the private sector to fix crumbling roads and bridges, and create a 21st century transportation system.

Likosky envisions the role of the government in public-private partnerships as that of a “player-coach,” not dictating the rules from the sidelines (and thus being a thorn in the side of potential private investors) but being involved in the game itself. The biggest challenges, which they’ve seemed to manage pretty well over in Europe, are ensuring that the public gets a reasonable return for their investment in the end, and that non-monetary objectives rooted in the public good, such as increased accessibility and employment, or greenhouse gas reductions, are specified and required.

America’s infrastructure ranking has dropped from 6th to 23rd in the past decade, and continues to drop, according to the World Economic Forum. We need to invest in our roads, rails and bridges if we want to remain economically competitive. And with the federal budget under such pressure, it’s becoming increasingly apparent that we need a lot of private capital to do it. A scaled-down infrastructure bank might not be able to generate the trillions of dollars we need to upgrade our entire transportation network, but it will make good use of our limited public funds to vastly improve the status quo.

#### Federal action is superior --- better evaluation, finance, and reduced borrowing costs

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #6: We don't need a national infrastructure bank, because we can strengthen state infrastructure banks instead.

Reality: State banks are an excellent tool and an important step in the right direction for project finance in the U.S. But state banks are woefully inadequate for meeting many of our financing needs, and they should not be thought of as substitutes for a national infrastructure bank, or even as incompatible with creating a national bank.

A well designed national bank offers a number of features and advantages not available from state banks. A national bank could finance large, expensive projects that are beyond the scale of state banks. A national bank would be better able to evaluate and finance projects of regional and national significance--those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury yields at historically low levels, as they are now.

A national bank could easily be structured to complement and empower state banks by passing through lower federal borrowing costs for state-sponsored projects. Giving states the option to partner with the national bank would be an additional and purely voluntary tool, so the argument that the bank would somehow limit the decision-making power of state banks is entirely misplaced.

#### National bank is key to send a strong signal to private sector investors --- facilitates public-private partnerships

Puentes, 12 --- Senior Fellow, Metropolitan Policy Program at Brookings (7/16/2012, Robert, “What Would an Infrastructure Bank Really Do?” <http://www.tnr.com/blog/the-avenue/105017/what-would-infrastructure-bank-really-do>, JMP)

Third is that the establishment of an NIB would be a strong signal to the private sector that the national government is committed and open to private involvement in infrastructure financing and delivery. Today private sector financiers and investors are understandably frustrated by the lack of clarity about the rules of engagement that is--as in many states--a real hindrance to the development of the public-private partnership market.

#### Federal action key to ensure cooperation and resources for large-scale projects

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

America’s economic future will hinge on how fast and well we move people, goods, power, and ideas. Today, our infrastructure is far from meeting the challenge. Upgrading our existing infrastructure and building new conduits to generate commerce will put people to work quickly in long-term jobs and will create robust growth. Funding for new infrastructure will be a crucial investment with substantial future benefits, but the current way that Congress doles out infrastructure financing is too political and wasteful. A National Infrastructure Bank will provide a new way to harness public and private capital to bridge the infrastructure gap, create jobs, and ensure a successful and secure future.

THE PROBLEM

America’s investment in infrastructure is not sufficient to spur robust growth. In October, Governor Chris Christie announced his intention to terminate New Jersey’s participation in the Access to the Region’s Core (ARC) Tunnel project, citing cost overruns that threatened to add anywhere from $2-$5 billion to the tunnel’s almost $9 billion price tag. At the time, Christie stated, “Considering the unprecedented fiscal and economic climate our State is facing, it is completely unthinkable to borrow more money and leave taxpayers responsible for billions in cost overruns. The ARC project costs far more than New Jersey taxpayers can afford and the only prudent move is to end this project.”1 Despite the fact that the project is absolutely necessary for future economic growth in the New Jersey-New York region and would have created thousands of jobs, it was **held captive to significant cost escalation, barriers to cooperation between local, state, and federal actors, and just plain politics.**

Sadly, these factors are increasingly endemic in the execution of major infrastructure projects. America’s infrastructure has fallen into a state of disrepair, and will be insufficient to meet future demands and foster competitive growth without significant new investment. However, the public is fed up with massive deficits and cost overruns, and increasingly consider deficit reduction to be a bigger economic priority than infrastructure investment.2 They have lost confidence in government’s ability to choose infrastructure projects wisely, complete them, and bring them in on budget.

At the same time, **traditional sources of funding are strained to the breaking point** and federal support is hindered by an inefficient process for selecting projects. Finding the resources necessary to construct new infrastructure will be also be a significant challenge. A new of way of choosing and funding infrastructure projects— from roads, bridges, airports, rail, and seaports to broadband and power transmission upgrades—is necessary to ensure growth and create jobs in America.

America’s infrastructure isn’t ready to meet future growth needs.

The safety risks and economic costs associated with the deterioration of America’s infrastructure are increasingly apparent across multiple sectors. The American Society of Civil Engineers has awarded the nation’s overall infrastructure a grade of D.3 Since 1990, demand for electricity has increased by about 25% but construction of new transmission has decreased by 30%.4 Over about the last 25 years, the number of miles traveled by cars and trucks approximately doubled but America’s highway lane miles increased by only 4.4%.5 Over 25% of America’s bridges are de!cient6 and about 25% of its bus and rail assets are in marginal or poor condition.7 America’s broadband penetration rate ranks only 14th among OECD countries.8

As America’s population and economic activity increases, the stress on its infrastructure will only grow. The number of trucks operating daily on each mile of the Interstate Highway system is expected to jump from 10,500 to 22,700 by 2035,9 while freight volumes will have increased by 70% over 1998 levels.10 It is also expected that transit ridership will double by 2030 and that the number of commercial air passengers will increase by 36% from 2006 to 2015.11 Total electricity use is projected to increase by 1148 billion kWh from 2008 to 2035.12 In order to cope, America’s infrastructure will need a significant upgrade.

America’s infrastructure deficit hurts its competitiveness and is a drain on the economy.

America’s infrastructure gap poses a serious threat to our prosperity. In 2009, the amount of waste due to congestion equaled 4.8 billion hours (equivalent to 10 weeks worth of relaxation time for the average American) and 3.9 billion gallons of gasoline, costing $115 billion in lost fuel and productivity.13 Highway bottlenecks are estimated to cost freight trucks about $8 billion in economic costs per year,14 and in 2006, total logistics costs for American businesses increased to 10% of GDP.15 Flight delays cost Americans $9 billion in lost productivity each year,16 and power disruptions caused by an overloaded electrical grid cost between $25 billion and $180 billion annually.17 These losses sap wealth from our economy and drain resources that could otherwise fuel recovery and growth.

The infrastructure gap also hinders America’s global competitiveness. Logistics costs for American business are on the rise, but similar costs in countries like Germany, Spain, and France are set to decrease.18 And while America’s infrastructure spending struggles to keep pace,19 several main global competitors are poised to make significant infrastructure enhancements. China leads the world with a projected $9 trillion in infrastructure investments slated for the next ten years, followed by India, Russia, and Brazil.20 In a recent survey, 90% of business executives around the world indicated that the quality and availability of infrastructure plays a key role in determining where they do business.21 If America is going to remain on strong economic footing compared to its competitors, it must address its infrastructure challenges.

There are too many cost overruns and unnecessary projects—but not enough funds.

Cost overruns on infrastructure projects are increasingly prevalent and exact real costs. One survey of projects around the world found that costs were underestimated for almost 90% of projects, and that cost escalation on transportation projects in North America was almost 25%.22 Boston’s Central Artery/Tunnel Project (a.k.a. the “Big Dig”) came in 275% over budget, adding $11 billion to the cost of the project. The construction of the Denver International Airport cost 200% more than anticipated. The San Francisco-Oakland Bay Bridge retrofit project witnessed overruns of $2.5 billion—more than 100% of the original project cost— before construction even got underway.23 And of course, there are the “bridge to nowhere” earmarks that solve a political need, but not an economic one.

The current system for funding projects is subject to inefficiency and bureaucratic complication. Funding for infrastructure improvements is divided unevenly among federal, state, local, and private actors based on sector.24 Even in instances where the federal government provides funding, it has often ceded or delegated project selection and oversight responsibilities to state, local, and other recipients, **weakening linkages to federal program goals and efforts to ensure accountability**.25 Federal efforts are also hampered by organization and funding allocations based strictly on specific types of transportation, as opposed to a system-wide approach, which create inefficiencies that hinder collaboration and effective investment.26 Complicating matters even further are the emergence of **multi-state “megaregions,” which have common needs that require multijurisdictional planning and decision making ability**.27

Infrastructure funding has also become significantly politicized. Congressional earmarking in multi-year transportation bills has skyrocketed from 10 projects in the STAA of 1982 to over 6,300 projects in the most recent bill (SAFETEA-LU).28 Even under a working system, the infrastructure improvements necessary to foster growth will require substantial investment. The American Society of Civil Engineers estimates that it would require $2.2 trillion over the next five years to bring our overall infrastructure up to par.29

However, sources of funding for infrastructure improvements are under significant strain and may not be sufficient.30 The Highway Trust Fund has already experienced serious solvency challenges, and inadequate revenues could lead to a $400 billion funding shortfall from 2010 to 2015.31 The finances of state and local governments, which are responsible for almost three-quarters of public infrastructure spending,32 have been severely impaired. At least 46 states have budget shortfalls in the current fiscal year, and it is likely that state financial woes will continue in the near future.33 In a recent survey by the National Association of Counties, 47% of respondents indicated more severe budget shortfalls than anticipated, 82% said that shortfalls will continue into the next year, and 54% reported delaying capital investments to cope.34

THE SOLUTION

A National Infrastructure Bank

In order to provide innovative, merit-based financing to meet America’s emerging infrastructure needs, Third Way supports the creation of a National Infrastructure Bank (NIB). The NIB would be a stand-alone entity capitalized with federal funds, and would be able to use those funds through loans, guarantees, and other financial tools to leverage private financing for projects. As such, the NIB would be poised to seize the opportunity presented by historically low borrowing costs in order to generate the greatest benefit for the lowest taxpayer cost.

Projects would be selected by the bank’s independent, bipartisan leadership based on merit and demonstrated need. Evaluation criteria may include economic benefit, job creation, energy independence, congestion relief, regional benefit, and other public good considerations. Potential sectors for investment could include the full range or any combination of rail, road, transit, ports, dams, air travel, clean water, power grid, broadband, and others.

The NIB will reform the system to cut waste, and emphasize merit and need.

As a bank, the NIB would inject accountability into the infrastructure investment process. Since the bank would offer loans and loan guarantees using a combination of public and private capital, it would have the opportunity to move away from the traditional design-bid-build model and toward project delivery mechanisms that would deliver better value to taxpayers and investors.35 By operating on principles more closely tied to return on investment and financial discipline, the NIB would help to prevent the types cost escalation and project delays that have foiled the ARC Tunnel.

America’s infrastructure policy has been significantly hampered by the lack of a national strategy rooted in clear, overarching objectives used to evaluate the merit of specific projects. The politicization and lack of coordination of the process has weakened public faith in the ability of government to effectively meet infrastructure challenges. In polling, 94% of respondents expressed concern about America’s infrastructure and over 80% supported increased federal and state investment. However, 61% indicated that improved accountability should be the top policy goal and only 22% felt that the federal government was effective in addressing infrastructure challenges.36 As a stand-alone entity, the NIB would address these concerns by selecting projects for funding across sectors based on broadly demonstrated need and ability to meet defined policy goals, such as economic benefit, energy independence, improved health and safety, efficiency, and return on investment.

The NIB will create jobs and support competitiveness.

By providing a new and innovative mechanism for project financing, the NIB could help provide funding for projects stalled by monetary constraints. This is particularly true for large scale projects that may be too complicated or costly for traditional means of financing. In the short-term, providing resources for infrastructure investment would have clear, positive impacts for recovery and growth. It has been estimated that every $1 billion in highway investment supports 30,000 jobs,37 and that every dollar invested in infrastructure increases GDP by $1.59.38 It has also been projected that an investment of $10 billion into both broadband and smart grid infrastructure would create 737,000 jobs.39 In the longer-term, infrastructure investments supported by the NIB will allow the U.S. to meet future demand, reduce the waste currently built into the system, and **keep pace with competition from global rivals.**

The NIB will harness private capital to help government pay for new projects.

The NIB would magnify the impact of federal funds by leveraging them through partnerships with private entities and other actors, providing taxpayers with more infrastructure bang for their public buck. Estimates have placed the amount of private capital readily available for infrastructure development at $400 billion,40 and as of 2007, sovereign wealth funds—another potential source of capital—were estimated to control over $3 trillion in assets with the potential to control $12 trillion by 2012.41 While these and other institutional funds have experienced declines as a result of the economic downturn, they will continue to be important sources of large, long-term investment resources.

By offering loan guarantees to induce larger private investments or issuing debt instruments and securities, **the NIB could tap these vast pools of private capital to generate investments much larger than its initial capitalization**. In doing so, it could also lower the cost of borrowing for municipalities by lowering interest on municipal bonds for state and local governments by 50 to 100 basis points.42

The NIB would also be poised to help taxpayers take full advantage of historically low borrowing costs. In 2010, the yield on 10-year U.S. Treasuries reached a historic low of 3.22%, as compared to a rate of 6.03% in 2000 and a peak rate of 13.92% in 1981. Prior to the Great Recession, this rate had not dipped below 4% since 1962.43 By allowing government and private actors to access financing at historically low rates, the NIB would help to **capitalize on a once-in-a-lifetime window to make enduring infrastructure investments.**

## High Speed Rail Addon

### 2ac High Speed Rail Addon Internal Link

#### An AIFA streamlines High Speed Rail efforts and shields it from Republican backlash

Anand 11MSNBC Staff Writer and Contributor (Anika, “Bank plan would help build bridges, boost jobs Bill gains traction, but foes fear another Fannie-Freddie disaster”, 7-6-2011, MSNBC, http://today.msnbc.msn.com/id/43606379/ns/today-today\_news/t/bank-plan-would-help-build-bridges-boost-jobs/#.T-NaCrVYss9) RaPa

 Advocates offer a laundry list of benefits for an “Ibank.” At the top of the list, they tout the bank’s political independence. The bank would be an independent government entity but would have strong congressional oversight. Bank board members and the CEO would be appointed by the president and confirmed by the Senate. Kerry says this structure would help eliminate pork-barrel earmark projects. If, for example, private investors wanted to invest in a project, under the BUILD Act they could partner with regional governments and present a proposal to the bank. The bank would assess the worthiness of the project based on factors like the public’s demand and support, and the project's ability to generate enough revenue to pay back public and private investors. The bank could offer a loan for up to 50 percent of the project’s cost, with the project sponsors funding the rest. The bank would also help draft a contract for the public-private partnership and ensure the government would be repaid over a fixed amount of time. If the Ibank funded something like the high-speed rail project, it would become another investor alongside a state government, a private equity firm or another bank. The project sponsors' loans would be repaid by generating revenue from sources such as passenger tickets, freight shipments, state dedicated taxes. Relies on loans Under previous proposals, which never have gained much momentum, an infrastructure bank would have offered grants, which would be more costly to taxpayers. The BUILD Act relies on loans instead, and project borrowers would be required to put up a reserve against potential bad debt. The bank would make money by charging borrowers upfront fees as well as interest rate premiums. The bill’s supporters say this type of public-private partnership model has been successfully applied to the Export-Import Bank of the United States, which has generated $3.4 billion for the Treasury over the past five years. The Export-Import bank finances and insures foreign purchases. It’s important to note that the infrastructure bank is only meant to jump-start infrastructure investment, not fund every project, said Michael Likosky, a senior fellow at NYU's Institute for Public Knowledge and a long-time proponent of a national infrastructure bank. Supporters hope the bank also would jump-start the job market. Former President Bill Clinton endorses the idea of an Ibank, although he has not necessarily thrown his weight behind the BUILD Act. “I think there are enormous jobs there,” he said in an interview last week on CNBC. “Every manufacturing job you create tends to create more than two other jobs in other sectors of the economy and it makes America more competitive, more productive.” According to the Department of Transportation's 2008 numbers, every $1 billion invested in transportation infrastructure creates between 27,800 and 34,800 jobs. And they tend to be well-paying, middle-class jobs construction jobs that cannot be outsourced offshore, said Scott Thomasson with the Progressive Policy Institute. Likosky said the support the BUILD Act has garnered so far has surprised almost everyone involved. “This infrastructure bank is the first thing on the table where we can start to talk about growing the economic pie, an approach toward moving toward prosperity," he said. Advocates say a national infrastructure bank could be the way to take on major projects, such as upgrading America’s power grid, repairing damaged roads and bridges and building high-speed rail lines, an idea that has been discussed for more than 40 years. High-speed rail High-speed rail has become something of a lightning rod issue. President Barack Obama has proposed spending $53 billion over six years to build high-speed rail lines in busy corridors across the country, an idea endorsed as recently as two weeks ago by the United States Conference of Mayors. House Republicans have criticized the plan, saying private investment, not government spending, should be used to build the rail systems, Reuters reported. America is one of the last industrialized countries in the world without high-speed rail and will only get it built through public-private partnerships such as those encouraged by a national infrastructure bank, said Andy Kunz, the president of the US High-Speed Rail Association. The group has been pushing for a 17,000-mile national high-speed rail network run on electricity to be completed by 2030. “Nearly every country in the world has come to us and said they have money to invest in our high-speed rail system in the U.S.,” he said. Kunz said a national infrastructure bank would simplify the process of building a rail network because it would simplify the steps and the number of people needed to approve it. "The bank would focus on the project as the number one issue, rather than constituents and politics as the number one focus," he said.

### NIB => High Speed Rail

#### The plan would get the private sector on board – solves high-speed rail

Long **11** – guest contributor to Reuters who writes the news service’s Muniland blog. (Cate, “The Infrastructure Privatization Bank”, Reuters, September 10, 2011, <http://blogs.reuters.com/muniland/2011/09/10/the-infrastructure-privatization-bank/>, Callahan)

Senate Resolution 652, sponsored by Senator Kerry of Massachusetts, would create the American Infrastructure Financing Authority. The AIFA would require that funded projects generate revenues to repay the loan to the infrastructure bank. For the Minneapolis bridge project to be funded it would have needed to be a toll bridge rather than a free bridge (or have a government entity repay the loan). It’s a PayGo Infrastructure Bank. Currently almost all American infrastructure is funded either through municipal bonds or federal funding. Even as federal funding has been constrained, municipal bond issuance has been very low this year, running at about half of last year’s rate. There is plenty of capacity to fund infrastructure with municipal bonds. From a funding standpoint it’s not clear why we need an infrastructure bank, especially a paygo infrastructure bank. The AIFA legislation is very specific about the type of projects that can be funded: Highway or road Bridge Mass transit Inland waterways Commercial ports Airports Air traffic control systems Passenger rail, including high-speed rail Freight rail systems. The legislation seems to require public-private partnerships for funding. In the bill’s criteria for loan approval, there’s a preference for those projects which maximize private investment (page 41): “the extent to which the provision of assistance by AIFA maximizes the level of private investment in the infrastructure project or supports a public-private partnership, while providing a significant public benefit”

#### The plan streamlines the funding process and is key to high speed rail

BAF 11 – bipartisan coalition of elected officials dedicated to bringing about a new era of U.S. investment in infrastructure that enhances our nation's prosperity and quality of life. (Building America’s Future, “Bipartisan Infrastructure Coalition Urges Creation of National Infrastructure Bank”, BAF, October 12, 2011, <http://www.bafuture.org/news/press-release/bipartisan-infrastructure-coalition-urges-creation-national-infrastructure-bank>, Callahan)

WASHINGTON, DC – Led by U.S. Rep. John L. Mica (R-FL), Chairman of the House Transportation and Infrastructure Committee, the U.S. House of Representatives' Subcommittee on Highways and Transit held a hearing today on creating a National Infrastructure Bank.

In response, Marcia Hale, President of Building America's Future issued the following:

"We agree that State Infrastructure Banks are valuable entities to finance local infrastructure projects. However, we strongly urge Congress to create and support a National Infrastructure Bank. It's the most effective way to leverage billions of private-sector dollars for infrastructure projects of national significance, including those that span state boundaries or encompass multiple modes of transportation. The National Infrastructure Bank should be established as an independent entity with strict guidelines to ensure that the process is streamlined, transparent and based on merit. The European Investment Bank, a similar institution in operation since 1957, has enabled European countries to build high-speed rail and modernize their ports and motorways."

#### National infrastructure bank will fund rail projects

Dovell, 12 (3/7/2012, Elizabeth, “U.S. Rail Infrastructure,” <http://www.cfr.org/united-states/us-rail-infrastructure/p27585>, JMP)

Some experts see a national infrastructure bank as a way to fund new transportation projects, including rail, and avoid these types of fights. Proponents claim that it would promote federal spending allocation based on merit as opposed to more traditional methods, such as earmarking. It would also provide credit assistance and low-interest loans to local and state government investment and encourage private investment. Several congressional bills, such as the American Infrastructure Investment Fund Act of 2011, would create an infrastructure bank-like entity.

Washington Monthly's Philip Longman notes that "the choice of infrastructure projects is de facto industrial policy; it's also de facto energy, land use, housing, and environmental policy, with implications for nearly every aspect of American life going far into the future."

## Economy Adv Extensions

### --- XT: Infrastructure Declining

#### America’s transportation infrastructure is in serious decay --- worse has yet to come

Economist, 11 (4/28/2011, “Life in the slow lane; Americans are gloomy about their economy’s ability to produce. Are they right to be? We look at two areas of concern, transport infrastructure and innovation,” <http://www.economist.com/node/18620944>, JMP)

America, despite its wealth and strength, often seems to be falling apart. American cities have suffered a rash of recent infrastructure calamities, from the failure of the New Orleans levees to the collapse of a highway bridge in Minneapolis, to a fatal crash on Washington, DC’s (generally impressive) metro system. But just as striking are the common shortcomings. America’s civil engineers routinely give its transport structures poor marks, rating roads, rails and bridges as **deficient or functionally obsolete**. And according to a World Economic Forum study America’s infrastructure has got worse, by comparison with other countries, over the past decade. In the WEF 2010 league table America now ranks 23rd for overall infrastructure quality, between Spain and Chile. Its roads, railways, ports and air-transport infrastructure are all judged mediocre against networks in northern Europe.

America is known for its huge highways, but with few exceptions (London among them) American traffic congestion is worse than western Europe’s. Average delays in America’s largest cities exceed those in cities like Berlin and Copenhagen. Americans spend considerably more time commuting than most Europeans; only Hungarians and Romanians take longer to get to work (see chart 1). More time on lower quality roads also makes for a deadlier transport network. With some 15 deaths a year for every 100,000 people, the road fatality rate in America is 60% above the OECD average; 33,000 Americans were killed on roads in 2010.

There is little relief for the weary traveller on America’s rail system. The absence of true high-speed rail is a continuing embarrassment to the nation’s rail enthusiasts. America’s fastest and most reliable line, the north-eastern corridor’s Acela, averages a sluggish 70 miles per hour between Washington and Boston. The French TGV from Paris to Lyon, by contrast, runs at an average speed of 140mph. America’s trains aren’t just slow; they are late. Where European passenger service is punctual around 90% of the time, American short-haul service achieves just a 77% punctuality rating. Long-distance trains are even less reliable.

The Amtrak alternative

Air travel is no relief. Airport delays at hubs like Chicago and Atlanta are as bad as any in Europe. Air travel still relies on a ground-based tracking system from the 1950s, which forces planes to use inefficient routes in order to stay in contact with controllers. The system’s imprecision obliges controllers to keep more distance between air traffic, reducing the number of planes that can fly in the available space. And this is not the system’s only bottleneck. Overbooked airports frequently lead to runway congestion, forcing travellers to spend long hours stranded on the tarmac while they wait to take off or disembark. Meanwhile, security and immigration procedures in American airports drive travellers to the brink of rebellion.

And worse looms. The country’s already stressed infrastructure must handle a growing load in decades to come, thanks to America’s distinctly non-European demographics. The Census Bureau expects the population to grow by 40% over the next four decades, equivalent to the entire population of Japan.

All this is puzzling. America’s economy remains the world’s largest; its citizens are among the world’s richest. The government is not constitutionally opposed to grand public works. The country stitched its continental expanse together through two centuries of ambitious earthmoving. Almost from the beginning of the republic the federal government encouraged the building of critical canals and roadways. In the 19th century Congress provided funding for a transcontinental railway linking the east and west coasts. And between 1956 and 1992 America constructed the interstate system, among the largest public-works projects in history, which criss-crossed the continent with nearly 50,000 miles of motorways.

But modern America is stingier. Total public spending on transport and water infrastructure has fallen steadily since the 1960s and now stands at 2.4% of GDP. Europe, by contrast, invests 5% of GDP in its infrastructure, while China is racing into the future at 9%. America’s spending as a share of GDP has not come close to European levels for over 50 years. Over that time funds for both capital investments and operations and maintenance have steadily dropped (see chart 2).

Although America still builds roads with enthusiasm, according to the OECD’s International Transport Forum, it spends considerably less than Europe on maintaining them. In 2006 America spent more than twice as much per person as Britain on new construction; but Britain spent 23% more per person maintaining its roads.

America’s dependence on its cars is reinforced by a shortage of alternative forms of transport. Europe’s large economies and Japan routinely spend more than America on rail investments, in absolute not just relative terms, despite much smaller populations and land areas. America spends more building airports than Europe but its underdeveloped rail network shunts more short-haul traffic onto planes, leaving many of its airports perpetually overburdened. Plans to upgrade air-traffic-control technology to a modern satellite-guided system have faced repeated delays. The current plan is now threatened by proposed cuts to the budget of the Federal Aviation Administration.

The Congressional Budget Office estimates that America needs to spend $20 billion more a year just to maintain its infrastructure at the present, inadequate, levels. Up to $80 billion a year in additional spending could be spent on projects which would show positive economic returns. Other reports go further. In 2005 Congress established the National Surface Transportation Policy and Revenue Study Commission. In 2008 the commission reckoned that America needed at least $255 billion per year in transport spending over the next half-century to keep the system in good repair and make the needed upgrades. Current spending falls 60% short of that amount.

If they had a little money…

If Washington is spending less than it should, falling tax revenues are partly to blame. Revenue from taxes on petrol and diesel flow into trust funds that are the primary source of federal money for roads and mass transit. That flow has diminished to a drip. America’s petrol tax is low by international standards, and has not gone up since 1993 (see chart 3). While the real value of the tax has eroded, the cost of building and maintaining infrastructure has gone up. As a result, the highway trust fund no longer supports even current spending. Congress has repeatedly been forced to top up the trust fund, with $30 billion since 2008.

Other rich nations avoid these problems. The cost of car ownership in Germany is 50% higher than it is in America, thanks to higher taxes on cars and petrol and higher fees on drivers’ licences. The result is a more sustainably funded transport system. In 2006 German road fees brought in 2.6 times the money spent building and maintaining roads. American road taxes collected at the federal, state and local level covered just 72% of the money spent on highways that year, according to the Brookings Institution, a think-tank.

The federal government is responsible for only a quarter of total transport spending, but **the way it allocates funding shapes the way things are done at the state and local levels**. Unfortunately, it tends not to reward the prudent, thanks to formulas that govern over 70% of federal investment. Petrol-tax revenues, for instance, are returned to the states according to the miles of highway they contain, the distances their residents drive, and the fuel they burn. The system is awash with perverse incentives. A state using road-pricing to limit travel and congestion would be punished for its efforts with reduced funding, whereas one that built highways it could not afford to maintain would receive a larger allocation.

Formula-determined block grants to states are, at least, designed to leave important decisions to local authorities. But the formulas used to allocate the money shape infrastructure planning in a remarkably block-headed manner. Cost-benefit studies are almost entirely lacking. Federal guidelines for new construction tend to reflect politics rather than anything else. States tend to use federal money as a substitute for local spending, rather than to supplement or leverage it. The Government Accountability Office estimates that substitution has risen substantially since the 1980s, and increases particularly when states get into budget difficulties. From 1998 to 2002, a period during which economic fortunes were generally deteriorating, state and local transport investment declined by 4% while federal investment rose by 40%. State and local shrinkage is almost certainly worse now.

States can make bad planners. Big metropolitan areas—Chicago, New York and Washington among them—often sprawl across state lines. State governments frequently bicker over how (and how much) to invest. Facing tight budget constraints, New Jersey’s Republican governor, Chris Christie, recently scuttled a large project to expand the railway network into New York City. New Jersey commuter trains share a 100-year-old tunnel with Amtrak, a major bottleneck. Mr Christie’s decision was widely criticised for short-sightedness; but New Jersey faced cost overruns that in a better system should have been shared with other potential beneficiaries all along the north-eastern corridor. Regional planning could help to avoid problems like this.

#### Status quo infrastructure is failing

von Schirach, 12 --- Washington, DC based international economic development consultant, international affairs commentator and writer (7/4/2012, Paolo, “Urgent: US Needs To Upgrade Crumbling Infrastructure – But This Is Not On Any National “To Do” List – Americans Want More Projects, But Do Not Want To Pay For Them,”<http://schirachreport.com/index.php/2012/07/04/urgent-us-needs-to-upgrade-crumbling-infrastructure-but-this-is-not-on-any-national-to-do-list-americans-want-more-projects-but-do-not-want-to-pay-for-them/>) // NK

WASHINGTON – While nobody is paying any attention, year after year America’s critical infrastructure: highways, bridges, ports, airports and more keeps getting worse because of decades of neglect and underinvestment. Report after report sounded the alarm on the worsening conditions. The American Society of Civil Engineers gives the US a “D” on the state of the national infrastructure. Different ideas to provide funding have been formulated, including the idea to create a National Infrastructure Bank that would count on government as well as private sector funds to finance major projects.

No action

But nothing is happening, while the general public fails to grasp the seriousness of an investment gap that is progressively undermining the fundamental logistics of the entire US economy. Simply stated, modern transportation links and nodes are absolutely essential for the speedy and cost effective movement of people and goods in any technologically advanced economy. Poor infrastructure means longer time to market and higher costs for almost anything. Overdue repairs constantly delayed at some point become public safety hazards. There is no way that the US can continue to be an economic leader if it keep falling behind. It is time for a wake up call.

A political issue

But this is not going to happen anytime soon. Sadly, infrastructure repairs and upgrades have become nasty partisan issues in America. As the “shovel ready” infrastructure projects included in the Obama stimulus package did not turn out to be the fantastic economic multipliers and job creators they were supposed to be, the Republicans now feel free to attack any kind of infrastructure spending as pork barrel projects and political grandstanding with no economic value.

Take politics out of infrastructure

This is a terrible mistake. For sure large infrastructure projects decided by politicians in Washington tend to have a political angle, (meaning: we’ll prioritise projects in states and regions where there are votes for us). And surely there can be bad spending on bad projects. Still, while we should avoid the useless “bridges to nowhere” that have become part of the political folklore, this does not mean that America can do without any new bridges or that the bridges we do have do not need major repairs.

While it is totally legitimate to discuss which projects should be on the list, opposing infrastructure spending as a matter of principle is a ridiculously stupid approach to public policy.

Worrisome picture

That said, before we can do anything at all, we have to change public perceptions. TIME magazine, (Bridge to nowhere? How the US is losing the infrastructure race, June 25, 2012), reported that the rest of the rich world outspends the US in terms of percentages of GDP devoted to investments in infrastructure by about 50%. The World Economic Forum placed America only in 24th place out of 124 in terms of quality of infrastructure. 24th place is pretty bad for the largest world economy.

Americans want more, but they do not want to pay for it

Still, while Americans would like more projects, they do not want to pay for them. According to TIME, a large majority of Americans (66%) say that fully funding transportation infrastructure is important, (27% say extremely important, 39% very important). But they do not want to pay for it. 71% say no to higher gasoline taxes that should fund highways, even though this federal tax has not been increased for almost 20 years. 64% do not want new toll roads. Well, we need new infrastructure and we badly need to fix what we have. If we are serious about it, the money has to come from somewhere.

### --- XT: Infrastructure Investment Declining

#### Infrastructure investment declining --- public and private

Nutting, 12 --- MarketWatch's international commentary editor (6/1/2012, Rex, “Investments in the future have dried up; Commentary: Infrastructure spending down 20% since recession began,” <http://www.marketwatch.com/story/investments-in-the-future-have-dried-up-2012-06-01>, JMP)

WASHINGTON (MarketWatch) – When I was growing up in the 1960s and 1970s, the legacy of the Great Depression was everywhere: Dams, bridges, roads, airports, courthouses and even picnic areas and hiking trails. Leaders of that dire time — Democrats and Republicans — took advantage of the Depression to put millions of Americans back to work, building the infrastructure that we still rely on today.

They had lemons, and they made lemonade.

This time, however, we’re not so fortunate. Instead of picking up the shovel and getting to work, we’ve thrown the shovel aside, complaining that we just can’t afford to repair what Hoover, FDR, Eisenhower, and LBJ built, much less invest in the infrastructure than our grandchildren will need.

The fact is, we’re investing less than we were before the recession hit more than four years ago, not just in government money but in private money, as well.

Here are the facts, according to the Bureau of Economic Analysis: Government investments (in structures and in equipment) ramped up between 2007 and 2010, only to fall back to 2005 levels by early 2012. The trajectory for private-sector investments was the opposite — a collapse followed by a modest rebound — but they arrived in the same place: back at 2005 levels, some 6% lower than when the recession began.

Looking just at investments in structures (such as buildings, roads, mines, utilities and factories), private companies are investing no more today (in inflation-adjusted terms) than they were in late 1978, according to data from the BEA.

All together, public- and private-sector investments in structures are down about 20% compared with 2007, in inflation-adjusted terms. In 2007, we spent $684 billion on structures; in 2011, we spent $550 billion.

Even before the recession arrived, we were underinvesting. Investments in infrastructure as a share of the economy had declined by 20% compared with 1960, according to a study by the Congressional Research Service. One widely cited estimate from civil engineers put the infrastructure gap at more than $2 trillion.

### --- XT: Economy Declining

#### Recovery fragile now – retail slump results in negative feedbacks

**D’innocentzio & Crutsinger 7/16** – Anne, AP Retail Writer, Martin, AP Economics Writer. Businessweek, “US economy appears weaker as retail sales slump” 7/16/12 http://www.businessweek.com/ap/2012-07-16/us-retail-sales-fell-0-dot-5-percent-in-june)//aberg👽

WASHINGTON (AP) — The outlook for the U.S. economy appeared dimmer Monday after a report that Americans spent less at retail businesses for a third straight month in June. The report led some economists to downgrade their estimates for economic growth in the April-June quarter. Many now think the economy grew even less than in the first quarter of the year, when it expanded at a sluggish 1.9 percent annual rate. Spending in June fell in nearly every major category — from autos, furniture and appliances to building, garden supplies and department stores. Overall, retail sales slid 0.5 percent from May to June, the Commerce Department said. Retail sales hadn't fallen for three straight months since the fall of 2008, at the height of the financial crisis. The weak U.S. spending figures were released on the same day that the International Monetary Fund slightly lowered its outlook for global growth over the next two years. Stocks fell after the Commerce report was issued. The Dow Jones industrial average sank 74 points in early trading. Broader indexes also declined. Later in the day, stocks regained some of their losses. "However hard you look, there's just no good news in this report," said Paul Ashworth, chief U.S. economist at Capital Economics. Weakening retail spending could make the Federal Reserve more likely to act further to try to encourage more borrowing and spending by lowering long-term interest rates. The Fed's policy committee will meet at the end of this month. Most economists don't expect new Fed action after that meeting. But some said Monday's Commerce report, coming after three straight months of tepid hiring, makes some Fed action more likely by year's end. Fed Chairman Ben Bernanke will testify to Congress about the economy on Tuesday and Wednesday. Despite the lackluster spending in April through June, retail sales were still 4.7 percent higher in the second quarter than in the same period in 2011. And the figures don't include spending on services, which makes up about two-thirds of consumer purchases. Services range from doctor's visits and plane tickets to rent payments and utility bills. Spending figures for services aren't yet available for June. But consumers have spent more on services each month this year. Still, Ashworth said economic growth likely slowed to an annual rate of just 1.5 percent in the second quarter. That's isn't enough to lower high unemployment. The U.S. unemployment rate is 8.2 percent. In Monday's report, Commerce also said Americans spent less in April than previously thought. In part because of that, Michael Feroli, an economist at JPMorgan Chase, lowered his estimate of growth in the April-June quarter from a 1.7 percent annual rate to a 1.4 percent rate. And he lowered his forecast for the July-September quarter to a 1.5 percent growth rate, down from a 2 percent rate. Chris G. Christopher Jr., senior economist at IHS Global Insight, thinks the economy grew at an annual rate of just 1.3 percent last quarter. He doesn't see much of a pickup in the second half of 2012: The annual growth rate will likely stay below 2 percent, he said. Christopher said the biggest problem is meager job growth. Americans have also been rattled by gyrating stock prices stemming from Europe's debt crisis. "Consumers are getting hit from all sides," Christopher said, despite the benefit of sharply lower gas prices since early April. Lewis Tipograph, owner of Kid's Closet, a midpriced children's clothing store in Washington, D.C., said his business has suffered since April. Customers are more uneasy, he said. "Earlier in the year, people were feeling more optimistic," Tipograph said. "There was a convergence of a lot of good things. But now, people are feeling nervous." Some of the sting of Monday's retail sales report was eased by a separate Commerce report that U.S. companies added to their stockpiles in May. When businesses step up restocking, they tend to order more goods, leading to more factory production and economic growth. Some hope also emerged from continued gains in "nonstore"sales — a category that consists mainly of online purchases. E-commerce sales have strengthened in the past year and now account for 9 percent of retail purchases. "You're definitely seeing a major shift in spending," said New York-based retail consultant Walter Loeb. Benefiting from the shift are online merchants like Wayfair.com. The company, which sells products ranging from baby strollers to decorative pillows, reported sales topping $500 million last year. "Shoppers are not spending with abandon," said Steve Conine, chairman of Boston-based privately held Wayfair.com. "But the shopping patterns are in our favor." The overall decline in retail sales reflects, in part, falling gas prices. But even excluding sales at gas stations, retail spending fell 0.3 percent from May to June. As hiring has slumped, workers' pay has barely kept up with inflation. Consumers have responded by pulling back on their spending, which drives about 70 percent of economic activity. "Weak jobs data have certainly done nothing to alter our view that consumer spending growth will be very modest at best in the quarters ahead," said Joshua Shapiro, chief U.S. economist at MFR Inc. The IMF lowered its outlook for global growth over the next two years in part because of Europe's financial crisis and slower expansion in China and India. The international lending organization predicts global growth of 3.5 percent this year, down from its forecast in April of 3.6 percent. It cut its forecast for 2013 to 3.9 percent growth from 4.1 percent. The IMF also cut its forecast for U.S. growth to 2 percent this year and 2.3 percent next year, both slightly below its previous estimates. The retail spending report showed that sales at auto dealers — one of the economy's strongest areas this year — fell 0.6 percent from May to June. That's a gloomier sign than earlier reports from U.S. automakers had suggested. The automakers have reported that sales rose 22 percent in June from the same month in 2011. But the automakers don't adjust their sales data for seasonal changes. And their figures reflect changes from the same month in the previous year, not from month to month. The weakness in June retail sales extended well beyond autos. The Commerce report showed sales fell 0.7 percent at department stores and 1.6 percent at building supply stores. Sales at furniture stores and electronics and appliance stores both fell 0.8 percent. Sales at gas stations dropped 1.8 percent after a 2 percent drop in May. The declines reflected cheaper gas, which has dropped more than 50 cents since early April. The economy is expanding too slowly to lower the unemployment rate. Employers have created an average of just 75,000 jobs a month in the April-June quarter — only about a third of the monthly job growth during the previous three months.

#### Recovery fragile now - uncertainty

**Reddy 7/16** – (Sudeep, Wall Street Journal Economics Reporter, Wall Street Journal, “IMF’s Blanchard: Global Economy Gripped by Meta-Uncertainty,” 7/16/12 <http://blogs.wsj.com/economics/2012/07/16/imfs-blanchard-global-economy-gripped-by-meta-uncertainty/>)//aberg👽

**–**On the pervasive global slowdown: People feel the world has darkened a lot. The trend is a bit worse than the forecast suggests. The bigger story is that we still have a weak world recovery. There is clearly increased uncertainty. The fact that this downside risk is not the tail risk anymore … is increasing uncertainty. I was talking to somebody who is on the board of a number of large companies. They’re all sitting on the cash and not spending. I asked him and he said, ‘Well, it’s uncertainty.’ But what exactly is it? It’s nearly meta-uncertainty. It’s a world they cannot quite think about. These were decisions in the U.S., where so far the direct effects from Europe haven’t been very substantial. So I think the world’s higher uncertainty is clearly a factor. –On the significant declines in trade: In 2008-09, there was a collapse of global trade. We were all very surprised. Output was not doing well, but the collapse in global trade was enormous. We realized at the time that the elasticity of trade with respect to global output was not 1, as you might think, but more like 3 to 4. So this explained it. And then it recovered like crazy. This is still true. If global output goes down by 1%, global trade goes down by 3% to 4%. If a part of the world does poorly, then it imports much less, and therefore the other guys export much less. It’s striking. We focus on financial links because they make the news everyday. But these trade links are quite relevant.

#### Recession coming now – democrat tax strategies

**Wall Street Journal 7/16** – (“Toying With Recession,” 7/16/12 http://online.wsj.com/article/SB10001424052702303933704577531081282967456.html?mod=googlenews\_wsj)//aberg👽

Democrats must feel really good about their election chances, because their latest campaign strategy is to say how willing and eager they are to leap off the January tax cliff. They're all but daring Republicans to make the Democrats' day by refusing to raise taxes before the election. That was the chest-pounding message Monday from Patty Murray, the Washington Democrat who runs her party's Senate campaign committee. In a speech at the Brookings Institution, she declared that if Republicans won't raise taxes on income above $250,000 before November, Democrats will gladly let all of the Bush tax rates expire at the end of the year—even on the middle class, and no matter the economic consequences. "If we can't get a good deal—a balanced deal that calls on the wealthy to pay their fair share—then I will absolutely continue this debate into 2013 rather than lock in a long-term deal this year that throws middle-class families under the bus," Mrs. Murray said, in what sounded like an ultimatum. That bit about throwing middle-class taxpayers "under the bus" is political spin, because Republicans say they're ready to vote to extend for another year the current tax rates on all taxpayers, including everyone who makes less than $250,000. The Murray Democrats are the ones holding the middle-class rates hostage to a GOP vote to raise taxes on the affluent. Mrs. Murray was more honest in explaining her political calculations. "If the Bush tax cuts expire, every proposal [in 2013] will be a tax cut proposal, and the [GOP's anti-tax increase] pledge will no longer keep Republicans boxed in and unable to compromise," she said. "If middle-class families start seeing more money coming out of their paychecks next year—are Republicans really going to stand up and fight for new tax cuts for the rich? Are they going to continue opposing the Democrats' middle-class tax cut once the slate has been wiped clean? I think they know this would be an untenable political position." So there you are. Democrats are delighted to let a giant tax increase whack the economy in January because then Republicans won't be able to stop it and will also find it impossible to cut taxes again on anyone whom Democrats define as "the wealthy." Mrs. Murray may think she's putting Republicans on the political spot, but her real hostage is the already weak economy. Growth in the first quarter was a mere 1.9%, and economists have steadily downgraded their expectations for the second. As the tax cliff approaches, the policy uncertainty is already causing businesses to hold off on hiring and investment. Even the Keynesians at the Congressional Budget Office say that if all of the Bush tax rates expire, growth will fall close to recession territory. Perhaps Senator Murray and her fellow Democrats really don't think tax increases will hurt all that much, and it's clear she's clueless about the way expectations influence economic decisions. But at least voters now know that Democrats are willing to toy with recession to win an election.

#### Recession now – fiscal cliff

**Menza 7/16** - (Justin, CNBC News writer, “‘Fiscal Cliff’ Could Trigger US Recession: IMF Economist,” [http://www.cnbc.com/id/48196003)//aberg](http://www.cnbc.com/id/48196003%29//aberg)👽

Going over the fiscal cliff could cause a U.S. [recession](http://www.cnbc.com/id/43563081/) next year, Olivier Blanchard, the [International Monetary Fund](http://www.cnbc.com/id/43047739/)'s chief economist, told CNBC’s “[Squawk on the Street](http://video.cnbc.com/gallery/?video=3000101794&play=1).” “If the fiscal were to happen, it would be a major macroeconomic event,” Blanchard said. The [fiscal cliff](http://www.cnbc.com/id/48161285/) is when a host of tax cuts expire and automatic spending cuts kick in at the end of the year. Blanchard said the IMF’s 2 percent U.S. economic growth forecast is based on fiscal consolidation of about 1.5 percent of [gross domestic product](http://www.cnbc.com/id/44505017/) next year, but the fiscal cliff would represent a 4 percent consolidation. “It would probably kill growth in the U.S. next year and probably kill growth in advanced economies,” Blanchard said. He added, “I think that if the U.S. fell off the fiscal cliff, I’m quite sure we’d see negative growth in the U.S. next year.” On Monday, the IMF cut its global growth forecast and cautioned that the outlook could worsen if Europe does not quell its debt crisis. The IMF shaved its 2013 forecast for global economic growth to 3.9 percent from the 4.1 percent it projected in April, trimming projections for most advanced and emerging economies. It left its 2012 forecast unchanged at 3.5 percent. (Related: Countries With the Highest Unemployment Rates). “It’s not the end of the world, but clearly that’s not a very strong recovery,” Blanchard said of the forecasts. “They’re based on assumptions which may or may not turn out to be right." Right now, Blanchard said the estimates assume the European crisis will ease, the U.S. will avoid the fiscal cliff and emerging markets will “do the right thing” to support growth.

#### Recession coming now- most qualified expert predictions

**Shilling 7/18** – (Gary, Gary Shilling, Ph.D, has written acclaimed economic books and manages investment portfolios. Shilling’s economic forecasts made headlines, from the spring of 1969, when Dr. Shilling was among the few to correctly predict that year’s recession, to the current housing bust, which he warned about in early 2007. He has written a regular Forbes column since 1983 and publishes his own subscriber newsletter, A. Gary Shilling Insight, each month. “No Good News for the US Economy,” Forbes 7/18/12 http://www.forbes.com/forbes/2012/0806/investing-economy-global-recession-blame-the-messenger.html)//aberg👽

As a realist, I call it as I see it. Nobody likes a bearer of bad news, a gloomy Gus or a glass-half-empty attitude. I know it has become my reputation, but it really isn’t my nature. Here’s my read of the U.S. economy at halftime: If we aren’t already in a recession, we’re getting very close. The economic momentum coming into the first quarter of 2012 was strong. GDP growth was running at a solid 3% rate for the final quarter of 2011. Then it slowed a bit to 2.2% in Q1, only to get revised down to a tepid 1.9% annual rate. Expect the same or much worse when Q2 numbers hit. Payroll employment continues to slump, far below the level needed to accommodate new labor-force entrants, much less reduce the 8.2% unemployment rate. More grim news came from the downward revisions in job gains in April and May. Consumer spending is the last, and only, hope for a revival in our economic fortune. But that, too, has been disappointing in recent months, constrained by weak job creation and paltry wage increases. Retail sales actually fell in both April and May. My view is that our nervous markets are anticipating this global recession. Commodity prices have hastened their deceleration lately. Crude oil prices are down 23% since their late-February peak. Copper has seen price declines of 24% since last August and 14% just since February. Cotton has seen huge drops since early 2011. Most stock markets around the world have largely erased their earlier 2012 gains in anticipation of further economic weakness and a collapse in corporate profits. MSCI’s Emerging Markets Index and its Europe Index are down 9% and 2%, respectively, in the last three months. In the last year? Down a painful 20% and 17%. Early this year I predicted the S&P 500 index would fall to 800 on weak corporate earnings. It hasn’t happened yet, and the figure has been scoffed at. But disbelief is exactly how people reacted when I predicted the housing bubble’s burst in this column in early 2005. Don’t shrug off Facebook’s IPO debacle, either. I believe Facebook will become the poster child for the current social media stock bubble, just as Pets.com was for the dot-com bubble. The Treasury-bond rally is all about finding a safe haven. It is symptomatic of the unfolding global recession and gathering evidence of deflation. My three-decade favorite--30-year Treasury bonds--recently achieved my target of 2.5%. Nevertheless, long Treasurys and the U.S. dollar are still buys. I expect single-family housing prices to fall another 20% due to excess inventories. Homeownership rates will slide from foreclosures. Many people suffering from chronic unemployment and the inability to meet mortgage standards will simply give up on the idea of owning a home. So expect more underwater mortgages, more defaults and even less consumer spending. After two rounds of quantitative easing, and after Operation Twist failed to spur a significant and lasting economic revival, it appears the Fed is out of bullets. Its modest plan to buy $267 billion more in long-term Treasurys, announced after its June policy meeting, was greeted with a shrug by investors seeking something bigger. Meanwhile, don’t look abroad for relief. The euro zone financial crisis is worsening without any meaningful resolution in sight. China, as I have predicted in other columns, is navigating a hard landing as its GDP growth rate is slowing toward 5% or 6%. Say good-bye to our decadelong, China-fueled global commodity bubble. The economies and financial markets of the world are in the midst of a massive deleveraging, and I believe it will take another five to seven years to return debt levels to their norm. While there may be occasional rays of sunshine, don’t get your hopes up for a cloudless sky anytime soon, especially as a global recession looms.

#### Action now is critical --- the economy is beginning to slip significantly

Coy, 6/1 --- Bloomberg Businessweek's economics editor (6/1/2012, Peter, “The U.S. Economy Slips Below the 'Mendoza Line'” <http://www.businessweek.com/articles/2012-06-01/the-u-dot-s-dot-economy-slips-below-the-mendoza-line>, JMP)

The U.S. jobs machine underperformed even the most pessimistic forecasts in May, adding just 69,000 jobs. The lowest estimate of 87 economists surveyed by Bloomberg was 75,000, with a median of 150,000 and an optimistic top estimate of 195,000. The unemployment rate ticked up to 8.2 percent from 8.1 percent in April.

The worse-than-mediocre job growth is a big blow to the reelection campaign of President Barack Obama, who has been touting the economy’s gradual recovery from the worst recession since the Great Depression. Even with the latest job gain, the economy has regained only 3.9 million of the 8.8 million jobs that were lost in the deep recession that ended in June 2009. May’s job growth was the smallest increase in a year.

The U.S. economy has “slipped back under the Mendoza line,” JPMorgan Chase (JPM) Chief U.S. Economist Michael Feroli said Thursday, before the jobs report came out but after another discouraging report—the news that the U.S. economy grew at an annual rate of just 1.9 percent in the first quarter. The Mendoza line is baseball lingo that has made the jump into business. It’s a reference to Mario Mendoza, a shortstop for Pittsburgh, Seattle, and Texas in the 1970s and 1980s whose batting average (below .200 in five of his nine seasons) **has come to stand for the dividing line between mediocrity and badness**.

Each of the past three years, job growth started strong and then faded. In 2010 there was a peak in March and April; in 2011 the strongest period was February, March, and April; in 2012 it was January and February, when the economy added well over 200,000 jobs.

#### Economy is weak --- risk of falling into recession

Morici, 6/4 --- economist and professor at the Smith School of Business, University of Maryland (Peter, 6/4/2012, “Depressed by a US jobs stalemate,” <http://www.businessspectator.com.au/bs.nsf/Article/US-jobs-US-economic-recovery-US-unemployment-pd20120604-UWRHY?opendocument&src=rss>, JMP)

 The US economy added only 69,000 jobs in May – only about half of what is needed to keep up with natural population growth. The unemployment rate rose to 8.2 per cent.

 In the **weakest recovery since the Great Depression**, nearly the entire reduction in unemployment since October 2009 has been accomplished through a significant drop in the percentage of adults working or looking for work. Some of these folks returned to the labour market in May; consequently, unemployment ticked up a tenth of a percentage point.

 Growth slowed to 1.9 per cent in the first quarter from 3 per cent the previous period, and was largely sustained by consumers taking on more car and student loans, business investments in equipment and software, and some inventory build. The housing market is improving and that should lift second quarter residential construction a bit but overall, the economy and jobs growth should remain too slower to genuinely dent unemployment.

 The May jobs report indicates growth could be even slower in the second quarter, and the economy is **dangerously close to stalling and falling into recession**.

 Manufacturing added 13,000 jobs. Other big gainers were health care, wholesale trade, and transportation and warehousing.

 Construction lost about 28,000 jobs, and other big losers were leisure and hospitality and state and local governments.

 In other sectors, jobs gains were weak or small numbers of jobs were lost.

#### Economy declining --- unemployment is increasing

Espo, 6/2 (David, 6/2/2012, “US economy souring, so what's a Democrat to do?” <http://www.seattlepi.com/news/article/US-economy-souring-so-what-s-a-Democrat-to-do-3604267.php>, JMP)

WASHINGTON (AP) — Five months before the elections, the uneven economic recovery is sputtering and job growth is anemic. Stock prices are down to 2011 levels and news on the European debt front is menacing.

What's a Democrat to do?

Ride it out, as President Barack Obama tried to do on Friday in the aftermath of particularly dreary economic reports. "We will come back stronger," he said in Golden Valley, Minn. "We do have better days ahead."

Or conjure fears of an even worse fate.

The Republicans' "only plan is to hand more tax breaks to millionaires, Big Oil, special interests and corporations that ship jobs overseas," said House Democratic leader Nancy Pelosi of California.

Whatever the merit of Obama's optimism or the truth of Pelosi's charge — one was challenged by Republican presidential candidate Mitt Romney, the other by GOP congressional leaders — no Democrat was claiming they can take the place of a strong economic recovery when it comes to the party's political fortunes.

Yet after 3½ years in office and uncounted battles with Republicans, it isn't obvious what type of stimulus measures might be available to Obama and his allies in Congress.

"Businesses have pulled in their horns, given the growing amount of uncertainty," said Sung Won Sohn, an economics professor at California State University. He said the administration and Congress must immediately address a "fiscal cliff" approaching at year's end. That's when tax cuts first enacted during the administration of George W. Bush are set to expire, across-the-board spending cuts are scheduled to take effect and government borrowing is due to hit the debt ceiling.

The Congressional Budget Office estimates that expiration of the tax cuts and implementation of automatic spending cuts would "represent an additional drag on the weak economic expansion." The result would be a 1.3 percent economic contraction in the first half of 2013 and "probably be judged to be a recession," it said.

It's a threat that Sohn and others cited Friday as a reason that companies are putting the brakes on hiring.

Yet Obama and Republicans have staked out dramatically different positions on tax cuts and spending reductions, and barring a change, there is no significant possibility of compromise legislation before the November elections to address any of the issues raised by Sohn.

Obama and most Democrats want to allow tax cuts expire at year's end for wealthier wages earners as a way to cut future deficits. Republicans generally oppose any tax increases. Both sides seem content to submit their disagreement to the voters this fall.

On spending, Republicans want to avoid the across-the-board reductions cemented into place last fall when the two sides failed to agree on an overall plan to attack the nation's ever-escalating debt. The GOP warns that the impact of the cuts on the Pentagon would be detrimental to the nation's security. Democrats accuse Republicans of seeking deeper reductions in social programs and are opposed.

That issue, like taxes and a possible increase in the debt limit, probably will be handled in a postelection session of Congress this fall, if not in 2013.

The short-term outlook turned gloomy late last week.

The Labor Department said the economy produced only 69,000 jobs in May, the fewest in a year. The unemployment rate rose from 8.1 percent to 8.2 percent. No president since Franklin D. Roosevelt in the Great Depression has won a new term with joblessness that high.

The construction industry cut 28,000 positions, its worst monthly performance in two years. Manufacturing activity slowed, although a measure of new orders rose to a 13-month high in a suggestion of better times ahead. Sales of new homes climbed 3.3 percent in April to the second highest level in two years, but the rate is still just half the level that economists consider healthy.

The Dow Jones industrial average dropped 200 points and closed down for the year.

### --- AT: Eurozone Makes Impact Inevitable

#### Recovery now – newest data proves

**Bezinga 7/16** – (“EuropeanEconomic Data Beats Expectations,” Bezinga.com, marketwatch, <http://www.marketwatch.com/story/european-economic-data-beats-expectations-2012-07-16>)//aberg👽

Traders received new data on the health of the European economy Monday as trade expanded and Spanish industrial orders beat expectations. The data may indicate that European growth is bottoming and that the recovery is set to restart. The trade balance across the Eurozone was reported at 6.3 billion euros, beating expectations of a 5 billion euro trade balance and higher than May's reading of +4.5 billion. The stronger trade balance is a positive sign for a recovery in Europe as the weaker euro has made exports more attractive to foreigners. The strong balance is also a positive for the global economy following last week's report from China that export and import growth slowed in June. As China's largest trading partner, good data from Europe is a strong indicator that China too may be bottoming. New data on the Spanish economy was also released Monday, with industrial new orders falling less than expected to 3.7 percent in June as compared to economist estimates of a 5.0 percent drop and May's 4.3 percent contraction. New orders tend to lead growth, so a bottom in new industrial orders could be indicating future industrial strength. Lastly, inflation data for the Eurozone was released, with core CPI growing at a 1.6 percent annual rate in June, the same as the rate in May. Tepid inflation is good for hopes of further easing, as the European Central Bank would act if medium-term inflation expectations remain low. At its July meeting, the ECB cut rates as inflation slowed and further rate cuts are expected by economists. Unlike the Federal Reserve, rates are above 0 percent and the ECB has room to cut rates further should conditions deteriorate. Should inflation stay low and economic indicators bottom, stocks could rally. As a whole, the European Union is the world's largest economy, so any increase in growth there will spill over and benefit other economies. As China's largest trading partner, a trade that could exploit a bottom is going long the iShares FTSE China 25 ETF [FXI -0.69%](http://www.marketwatch.com/investing/fund/FXI?link=MW_story_quote) . Chinese exports would probably grow with Europe's economy, boosting its economy and its stock market. Investors could also look to go long the iShares Germany ETF [EWG +0.96%](http://www.marketwatch.com/investing/fund/EWG?link=MW_story_quote) , as Germany's export-focused economy will benefit from the weaker euro and from a pick-up in global growth. The euro has depreciated from 1.45 in August of 2011 to 1.2263 currently. This depreciation makes exports more attractive to foreigners, boosting sales and the economy as a whole.

#### *Even if* they win a short term collapse, our evidence is predictive – multipolar fill in solves

**Bruce 7/19** – (Andy, “Reuters Poll: Global economy hobbled by Europe, 2013 promises more,” Reuters, July 19, 2012, http://in.reuters.com/article/2012/07/19/economy-poll-wrapup-idINDEE86I0FV20120719)//aberg👽

(Reuters) - The global economy will labour against a dismal tide from recession-hit Europe for the rest of this year, but 2013 should bring better growth, according to Reuters polls of hundreds of economists worldwide. While few expected 2012 would be anything other than a difficult year for the world economy, there was at least hope a resilient United States and fast-growing emerging markets would keep it moving in the right direction. Those hopes now looks misplaced. The U.S. shows clear signs of slowing and Asia's exporting economies have been hurt by slumping demand from Europe, where the euro zone is likely back in recession. Still, there is cautious optimism big Asian economies like China will start to recover by the end of this year, dragging the world towards better growth in 2013. The global economy will grow around 3.2 percent in 2012 and 3.7 percent next year, the poll showed, a slight downgrade from April's poll and slower than the International Monetary Fund's reading of 3.9 percent for 2011. Gerard Lyons, chief economist at Standard Chartered in London, said it was still very much a tale of two worlds. "In the West the fundamentals are still not very good, confidence is fragile, and the policy cupboard is relatively bare," he said. "In contrast across the emerging world, the fundamentals are mixed, confidence is a lot more resilient, and very importantly, the policy cupboard is quite full." "The policy cupboard in the emerging world, particularly China, will play a key role in how things pan out this year." Lyons pointed out the risk of a new external shock, like a sudden rise in oil prices, leaves fragile major rich world economies in a precarious position. Forecasters chopped their outlook for the U.S. economy for a second month in a row, and now give a 50-50 chance the Federal Reserve will embark on a third round of money printing to try to spur growth. "The U.S. still faces a steady, not a spectacular, recovery. America faces a fiscal cliff, a regulatory mountain and a jobs depression. It's not a great topography, but there is growth," said Lyons. Indeed, the poll showed the U.S. economy growing 2.0 percent in 2012 - a lot better than the 0.4 percent decline foreseen by economists in the euro zone. Conversely, Japan's economy, the world's third largest, is expected to outperform most of its developed nation peers this year thanks to solid domestic demand, but analysts have slashed forecasts for factory output. Thursday's survey is the latest in a long line of Reuters polls to reflect a darkening mood. In recent weeks, analysts have slashed their outlook for stock markets, government bond yields, risk currencies and commodity prices. EURO ZONE: BACK IN RECESSION The European currency union has sunk back into its second recession since 2009, the poll suggested, as the debt crisis that has ravaged the continent for over two years continues to stifle growth. World Bank President Jim Yong Kim warned on Wednesday that most regions of the world will be hurt by the debt crisis enveloping the euro zone and said it could trigger a deep global recession. "The question is how long this recession will last," said Uwe Duerkop, economist at Landesbank Berlin. "We have a chance to come back to growth at the end of the year but if the political crisis stays as it is with no (concrete) decisions there is a risk the recession could be longer." Europe's biggest economy Germany should skirt recession but growth there will be very modest until next year, when analysts reckon it will pick up steam with the rest of the global economy. Most euro zone forecasts hinged on the assumption there will be no sudden escalation of the sovereign debt crisis. Britain's economy will wallow in recession three months longer than previously expected but the country's hosting of the Olympic Games should vault it back to growth this quarter. EMERGING SLOWLY In Asia, optimism has faded with growth in its biggest economies slowing considerably this year, likely compelling central banks to keep policy accommodative for longer. While growth in China's economy is expected to weaken to 8.0 percent this year, a rate many consider the borderline between a potentially severe slowdown and a mild one, the growth outlook for India was slashed to 6.3 percent this fiscal year, which would be the slowest pace in a decade. "It is going to be a long hard slog back up," said Vishnu Varathan, economist at Mizuho Corporate Bank in Singapore, who feels that this time around Asia isn't going to see the V-shaped rebound it experienced after the 2008-09 global crisis. Even though India and China will no longer provide enough steam to drive Asia's growth to pre-crisis levels, Southeast Asia is a bright spot in the otherwise gloomy scenario. "Where Southeast Asia is in good stead is it doesn't have the domestic problems like India does," said Daniel Martin, economist at Capital Economics in Singapore. "The fundamentals look good. They don't have issues with inflation like in India and there have been far fewer question marks over governance." Latin American economies will grow this year at a slower pace than previously expected, but that doesn't mean the region's increasingly dovish central banks will follow Brazil's example and take aggressive action to spur growth, a Reuters poll showed. Even with inflation under control in most major Latin American countries, an expected rebound in activity will likely keep rate cuts on hold or even make the case for small hikes in Brazil, Chile and Peru through the end of next year.

#### Germany solves

**Hewitt 7/16** – (Gavin, Europe Editor, BBC 7/16/12, “German court to rule in September on eurozone bailout fund,” [http://www.bbc.co.uk/news/world-europe-18855898)//aberg](http://www.bbc.co.uk/news/world-europe-18855898%29//aberg)👽

The court's announcement means weeks of nervousness for politicians and market traders, correspondents say. German MPs have backed the European Stability Mechanism (ESM), but it has not yet been ratified. Some politicians and entrepreneurs want to block the ESM's introduction. The court will also rule on 12 September on the fiscal treaty, which is aimed at forcing eurozone governments to adhere to strict budget discipline. The petitioners against the new 500bn-euro (£404bn; $635bn) ESM and the fiscal treaty include the Left party (die Linke), the German association of family businesses and some leading economists. Last week Finance Minister Wolfgang Schaeuble warned the judges that delaying a ruling would carry economic risks. The 17-nation eurozone has agreed on a bailout for debt-laden Spanish banks, worth up to 100bn euros. The existing bailout fund, the European Financial Stability Facility (EFSF), will be used for that. But for months markets and businesses in Europe have been urging politicians to boost the eurozone's lending firepower, arguing that the euro itself would be at risk if Spain or Italy needed a full-scale bailout. That anxiety has kept borrowing costs for Spain and Italy high - yields on their sovereign bonds have risen to the 6-7% range considered unsustainable. The ESM was supposed to start operating this month, but there have been ratification delays in several countries. Key German role German President Joachim Gauck will let the court rule before he signs the ESM and fiscal treaty into law. The judges have previously ruled that the government must consult parliament more thoroughly before committing Germany to EU bailouts. The new measures are fundamental to the eurozone's efforts to tackle the debt crisis and stabilise the euro. Germany will account for 27% of contributions to the ESM, paying out 21.7bn euros in cash and providing guarantees worth a further 168.3bn euros. So German ratification is essential. The ESM can start operating once member countries representing 90% of the fund's capital commitments have ratified it. German Chancellor Angela Merkel said next year's German parliamentary election would be about "where Europe stands and what ideas we have about Europe". Speaking in a ZDF television interview on Sunday she confirmed that she would seek re-election as chancellor, leading the centre-right Christian Democrats (CDU). She said debt-laden Greece must stick to its agreements reached with international lenders. The new government in Athens has vowed to renegotiate parts of its 130bn-euro second bailout deal. Implementation has been slow because of the recent turmoil in Greek politics and large-scale protests. Mrs Merkel said she would wait "another couple of weeks" for another report from the troika - Greece's international lenders - before deciding how to proceed with Greece. The bailout programme for Greece dates back to 2010 and does not depend on the EFSF or ESM. But the sheer scale of Greece's debts and the budget cuts demanded have led to doubts about the euro's future.

### --- AT: FRB Solves Economy

#### FRB out of tools to boost the economy

Morici, 6/11 --- economist and professor at the Smith School of Business, University of Maryland (6/11/2012, Peter, “Federal Reserve has few options as economy flirts with 'double dip' recession,” <http://www.foxnews.com/opinion/2012/06/11/federal-reserve-has-few-options-as-economy-flirts-with-double-dip/>, JMP)

The US economy is drifting toward recession, but when Federal Reserve policymakers meet next week on June 19 and 20, they will have few tools to turn things around.

Jobs creation slipped to alarmingly low levels in April and May. Wages, which were rising modestly through most of the recovery, have been virtually flat for three months. An already tough labor market for both job seekers and the employed is getting worse.

First quarter productivity was down sharply, indicating businesses have more workers than needed to meet demand and must soon lay off employees if sales don’t pick up. However, deteriorating conditions in Europe and China, and falling values for the euro and yuan against the dollar, indicate US exporters and import-competing businesses will face tough environment this summer.

In manufacturing, the bright star of the economic recovery, new orders declined the last two months, and manufacturers and service businesses, polled by the Institute of Supply Chain management, report falling prices. Businesses slashing prices to maintain sales is an ominous precursor of more layoffs.

**The Federal Reserve has already pulled all the levers that might make a difference**. Short-term interest rates—such as the overnight bank borrowing rate and one month and one year Treasury Bill rates —are already close to zero.

When the Federal Reserve Open Market Committee last met on April 25 more bond purchases to lower long-term Treasury and mortgage rates were on the table. Since then, investors moved cash from risky European government bonds to US bonds. This has pushed 30-year Treasury and mortgage rates to near record lows, **preempting the effectiveness of any additional Fed initiatives**.

A statement that the Fed intends to keep short rates near zero beyond 2014 would have little effect on investor and home buyer psychology—already, no one expects the Fed to push up interest rates in the foreseeable future.

Central bank policy can help dampen inflation when the economy overheats and lift borrowing and home sales a bit when it falters, but it can’t instigate faster growth when the president and Congress fail to address structural problems.

#### FRB can’t boost growth now

Goldfarb, 12 --- staff writer covering the White House, focusing on President Obama's economic, financial and fiscal policy (6/11/2012, Zachary A., “With crisis rooted in Europe, U.S. less vulnerable but has less flexibility to act,” <http://www.washingtonpost.com/business/economy/with-crisis-rooted-in-europe-us-less-vulnerable-but-has-less-flexibility-to-act/2012/06/11/gJQA3GujVV_story.html>, JMP)

The Fed is also more constrained than it was in 2008. Then, it could use its principal weapon — control of an interest rate that sets the benchmark for most banks — to encourage more lending and economic activity. It also has taken a range of unconventional actions to support growth. But the Fed’s benchmark interest rate is now near zero, and its tool kit is not as effective as before.

One of the most important changes from 2008 is that the major drags on the U.S. economy come from abroad.

The world’s four major developing countries — Brazil, Russia, India and China — have also showed signs of economic weakness recently. They are growing fast but slower than many economists anticipated.

### --- AT: Economy Improving

#### Economy is still in a crisis --- bolstering infrastructure investment is critical

Rohatyn & Slater, 12 --- special adviser to the chairman and CEO of Lazard, AND \*\*former US transportation secretary (2/20/2012, Felix Rohatyn and Rodney Slater, “America needs its own infrastructure bank,” <http://www.ft.com/intl/cms/s/0/c61b2084-5bb3-11e1-a447-00144feabdc0.html>, JMP)

America needs to invest in infrastructure. Despite signs of improvement, **our economy is still in crisis**. We could create millions of jobs by rebuilding our transport and water systems – ending the congestion that stifles our ports, airports, railroads and highways; increasing productivity; and empowering the US to compete with countries that are investing in infrastructure on a massive scale.

Infrastructure financing tools are available, providing Washington wants to use them. They could bolster investment by leveraging hundreds of billions of dollars in private and international capital.

The potential tools include a national infrastructure bank and other relatively minor legislative changes to encourage private investors off the sidelines. American mutual funds, pension funds and retail investors allocate relatively small portions of their $37,000bn in capital to new infrastructure initiatives.

Creating a national infrastructure bank is not a new idea but it finally may be gaining traction. Congresswoman Rosa DeLauro has introduced a House bill to create one, and Senators Kay Bailey Hutchison and John Kerry co-sponsored similar legislation in the Senate. President Obama also supports a such a project. So do the AFL-CIO labour group and the US Chamber of Commerce, organisations that differ sharply on many issues but unite in calling for the US to rebuild.

A national infrastructure bank could be independent and transparent. Government-owned but not government-run, it would have a bipartisan board and a staff of experts and engineers to plan projects **based on quality and public need**, not on politics. The bank would leverage public-private partnerships to maximise private funding and launch projects of regional and national significance with budgets of $100m or more.

The infrastructure bank also should have authority to finance projects by issuing bonds with maturities of up to 50 years. These long-duration bonds would align the financing of infrastructure investments with the benefits they create, and their repayment would allow the bank to be self-financing.

#### An economic recovery is impossible until we address declining transportation infrastructure

Davidson, 12(Paul, 5/20/2012, “USA's creaking infrastructure holds back economy,” <http://www.usatoday.com/money/economy/story/2012-05-20/creaking-infrastructure/55096396/1>, JMP)

Inland waterways quietly keep the nation's economy flowing as they transport $180 billion of coal, steel, chemicals and other goods each year — a sixth of U.S. freight — across 38 states. Yet, an antiquated system of locks and dams threatens the timely delivery of those goods daily.

Locks and dams raise or lower barges from one water level to the next, but breakdowns are frequent. For example, the main chamber at a lock on the Ohio River near Warsaw, Ky., is being fixed. Maneuvering 15-barge tows into a much smaller backup chamber has increased the average delay at the lock from 40 minutes to 20 hours, including waiting time.

The outage, which began last July and is expected to end in August, will cost American Electric Power and its customers $5.5 million as the utility ferries coal and other supplies along the river for itself and other businesses, says AEP senior manager Marty Hettel.

As the economy picks up, the nation's creaking infrastructure will increasingly struggle to handle the load. That will make products more expensive as businesses pay more for shipping or maneuver around roadblocks, and it will cause the nation to lose exports to other countries — both of which are expected to hamper the recovery.

"The good news is, the economy is turning," says Dan Murray, vice president of the American Transportation Research Institute. "The bad news is, we expect congestion to skyrocket."

The ancient lock-and-dam system is perhaps the most egregious example of aging or congested transportation systems that are being outstripped by demand. Fourteen locks are expected to fail by 2020, costing the economy billions of dollars. Meanwhile, seaports can't accommodate larger container ships, slowing exports and imports. Highways are too narrow. Bridges are overtaxed.

Effects 'sneaking up'

The shortcomings were partly masked during the recession as fewer Americans worked and less freight was shipped, easing traffic on transportation corridors. But interviews with shippers and logistics companies show delays are starting to lengthen along with the moderately growing economy.

"I call this a stealth attack on our economy," says Janet Kavinoky, executive director of transportation and infrastructure for the U.S. Chamber of Commerce. "It's not like an immediate crisis. It's something that's sneaking up on us."

Freight bottlenecks and other congestion cost about $200 billion a year, or 1.6% of U.S. economic output, according to a report last year by Building America's Future Educational Fund, a bipartisan coalition of elected officials. The chamber of commerce estimates such costs are as high as $1 trillion annually, or 7% of the economy.

Yet, there's little prospect for more infrastructure investment as a divided Congress battles about how to cut the $1.3 trillion federal deficit, and state and local governments face their own budget shortfalls. Government investment in highways, bridges, water systems, schools and other projects has fallen each year since 2008. IHS Global Insight expects such outlays to drop 4.4% this year and 3% in 2013.

The U.S. is spending about half of the $2.2 trillion that it should over a five-year period to repair and expand overburdened infrastructure, says Andrew Herrmann, president of the American Society of Civil Engineers.

Inland waterways, for example, carry coal to power plants, iron ore to steel mills and grain to export terminals. But inadequate investment led to nearly 80,000 hours of lock outages in fiscal 2010, four times more than in fiscal 2000. Most of the nation's 200 or so locks are past their 50-year design life.

A prime example is an 83-year-old lock on the Ohio River near Olmsted, Ill. Congress set aside $775 million to replace it and another nearby lock in 1988. The project began in 1993 and was scheduled to be finished by 2000 but still isn't complete, in part because of engineering modifications intended to save $60 million. Now, the cost has ballooned to $3.1 billion, and the new lock won't be ready until 2020 or later.

The cost overrun leaves little money for other projects. About $8 billion is needed to replace 25 locks and dams in the next 20 years, says Michael Toohey, president of the Waterways Council, an advocacy group.

But Congress allocates only about $170 million a year, with the government and a 20-cent-a-gallon tax on tow operators each funding half. Toohey says $385 million a year is required to fund all the work. "We're the silent industry" because waterways are less visible, he says.

The biggest railroad bottleneck is in Chicago. A third of the nation's freight volume goes through the city as 500 freight trains jostle daily for space with 800 passenger trains and street traffic. Many freight rail lines crisscross at the same grade as other trains and cars — a tangle that forces interminable waits. It takes an average freight train about 35 hours to crawl through the city. Shipping containers typically languish in rail yards several days before they can be loaded onto trains.

Manufacturers, in turn, must stock more inventory to account for shipping delays of uncertain length, raising product costs about 1%, estimates Ken Heller, a senior vice president for DSC Logistics. Caterpillar has built two multimillion-dollar distribution centers outside the city to increase its freight volumes so it can get loading priority at rail yards.

About $3.1 billion in projects are planned, underway or complete, such as separate intersecting roadways and rail lines, but only a third of the money has been approved.

Highways, meanwhile, suffer from Congress's failure in recent years to assure long-term funding for a federal trust fund that pays for upgrades. The fund kicks in about $42 billion a year, but that goes largely to maintenance, and the fund is expected to temporarily run out of money in 2013.

Among those affected is UPS. The giant courier says that if each of its 95,000 U.S. vehicles is delayed an average five minutes a day for a year — a realistic figure — it costs the company $103 million in added fuel costs, wages and lost productivity.

Con-way, one of the largest trucking companies, often builds an extra day of travel into shipping schedules to ensure it meets customers' exacting just-in-time delivery demands, says Randy Mullet, head of government relations. Customers pay a premium for that.

In Texas, worsening delays on Interstate 35 between San Antonio and Dallas, much of which has only two lanes each way, forces regional grocery chain H-E-B to charge about 15 cents more for a gallon of milk, says Ken Allen, a former H-E-B executive and now a consultant for the company.

Bridges under strain

The nation's 600,000 bridges are also falling behind. Nearly a quarter are classified as "structurally deficient" or "functionally obsolete," according to the Federal Highway Administration. As of the end of last year, more than one in 10 were closed or had weight limits that barred trucks. For Illinois corn grower Paul Taylor, such a restriction on the Pearl Street bridge in Kirkland means he must drive three extra miles to deliver his corn to a grain elevator, raising his costs by about 5 cents a bushel.

Many unrestricted bridges, meanwhile, are strained, especially at border crossings. The busiest in North America is the 83-year-old, four-lane Ambassador Bridge, the only direct link between Detroit and Canada. The bridge, already impaired by its capacity, often closes lanes for repairs and empties onto a busy city street in Windsor, Ont. Delays, typically lasting two hours, are exacerbated by a Customs checkpoint that's not large enough for the traffic volume.

U.S. auto companies store extra parts at factories and closely space deliveries so that if one truck is sidetracked, another isn't far behind, says Kevin Smith, senior vice president for consulting firm Sandler & Travis. Ford Motor told a state legislative committee last fall that such maneuvers, along with extra freight expenses, add up to $800 to the cost of a vehicle.

"This is one of the last remaining impediments" to business recruitment, says Sandy Baruah, CEO of the Detroit Regional Chamber of Commerce, noting that both taxes and union wages have fallen in recent years.

The Canadian government has proposed building a new bridge that skirts Windsor and connects to highways in Canada. But the Michigan legislature has rejected the plan amid a lobbying and advertising campaign by the Ambassador Bridge's owner, 84-year-old billionaire Manuel "Matty" Moroun.

In Nogales, Ariz., snags cause several hours of delays at the Mexican border, where a customs plaza undergoing a $200 million expansion feeds into a two-lane road in each direction.

That often translates into delays for about 200 local fresh produce importers whose customers require timely deliveries.

The plaza work is to be completed in two years, but that's expected to dump even more cars and trucks onto two-lane Mariposa Road. Officials only recently began to studywidening it.

Jaime Chamberlain, owner of J-C Distributing, says that several times a week, the snarls delay by as much as a day deliveries of his tomatoes, squash, bell peppers and other produce to U.S. wholesalers or grocers. He says he loses thousands of dollars in orders almost weekly and occasionally has lost the business of a major grocery chain at a cost of several million dollars a year.

Far more revenue is jeopardized by outdated seaports on the East and Gulf coasts. A half-dozen ports can't handle new larger ships with greater container capacity because the harbors are too shallow, says Paul Anderson, CEO of the Jacksonville Port Authority.

That raises shipping costs and delays exports of steel, factory machines and computers that may sit at docks for days. Delivery times and costs are also higher for imports of electronics, apparel and other goods, boosting retail prices.

While some larger ships can dock at the port of Savannah during high tide, they can't load to full capacity and must typically wait up to six hours for the tide to come in, says Curtis Foltz, head of the Georgia Ports Authority.

The need to accommodate bigger ships will become even more dire after the Panama Canal is widened in 2014, allowing big ships from Asia to cross from the West Coast to the Eastern U.S. There are plans to deepen several ports, but project studies by multiple federal agencies take about 13 years.

By contrast, Brazil, India, China and Southeast Asia are dredging ports in as little as three years, including planning and construction, Anderson says.

Meanwhile, U.S. and foreign companies often turn to countries with modernized ports.

Caterpillar, the world's top maker of construction and mining equipment, has moved 30% of its exports and 40% of imports to Canadian ports in recent years, costing U.S. ports tens of millions of dollars a year in revenue.

"We can get our exports and imports to market faster and at lower costs," Caterpillar Chief Financial Officer Ed Rapp says of the move.

#### Infrastructure deficiencies straight jacket growth

Likosky, 11 --- senior fellow at the Institute for Public Knowledge at NYU (7/12/2011, Michael B., “Banking on the Future,” <http://www.nytimes.com/2011/07/13/opinion/13likosky.html>, JMP)

FOR decades, we have neglected the foundation of our economy while other countries have invested in state-of-the-art water, energy and transportation infrastructure. Our manufacturing base has migrated abroad; our innovation edge may soon follow. If we don’t find a way to build a sound foundation for growth, the American dream will survive only in our heads and history books.

But how we will pay for it? Given the fights over the deficit and the debt, it is doubtful that a second, costly stimulus package could gain traction. President Franklin D. Roosevelt faced a similar predicament in the 1930s when the possibility of a double-dip Depression loomed.

For this reason, the New Deal’s second wave aggressively pursued public-private partnerships and quasi-public authorities. Roosevelt described the best-known of these enterprises, the Tennessee Valley Authority, as a “corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.”

A bipartisan bill introduced by senators including John Kerry, Democrat of Massachusetts, and Kay Bailey Hutchison, Republican of Texas, seeks a similar but modernized solution: it would create an American Infrastructure Financing Authority to move private capital, now sitting on the sidelines in pension, private equity, sovereign and other funds, into much-needed projects.

Rather than sell debt to investors and then allocate funds through grants, formulas and earmarks, the authority would get a one-time infusion of federal money ($10 billion in the Senate bill) and then extend targeted loans and limited loan guarantees to projects that need a push to get going but can pay for themselves over time — like a road that collects tolls, an energy plant that collects user fees, or a port that imposes fees on goods entering or leaving the country.

The idea of such a bank dates to the mid-1990s. Even then, our **growth was hampered by the inadequacy of our infrastructure** and a lack of appetite for selling public debt to cover construction costs. Today we find ourselves **trapped in a vicious cycle** that makes this proposal more urgent than ever. **Our degraded infrastructure straitjackets growth**. We resist borrowing, fearful of financing pork-barrel projects selected because of political calculations rather than need.

While we have channeled capital into wars and debt, our competitors in Asia and Latin America have worked with infrastructure banks to lay a sound foundation for growth. As a result, we must compete not only with their lower labor costs but also with their advanced energy, transportation and information platforms, which are a magnet even for American businesses.

A recent survey by the Rockefeller Foundation found that Americans overwhelmingly supported greater private investment in infrastructure. Even so, there is understandable skepticism about public-private partnerships; Wall Street has not re-earned the trust of citizens who saw hard-earned dollars vacuumed out of their retirement accounts and homes. An infrastructure bank would not endanger taxpayer money, because under the Federal Credit Reform Act of 1990, passed after the savings and loan scandal, it would have to meet accounting and reporting requirements and limit government liability. The proposed authority would not and could not become a Fannie Mae or Freddie Mac. It would be owned by and operated for America, not shareholders.

The World Bank, the Inter-American Development Bank, the Asian Development Bank and similar institutions helped debt-burdened developing countries to grow through infrastructure investments and laid the foundations for the global high-tech economy. For instance, they literally laid the infrastructure of the Web through a fiber-optic link around the globe. Infrastructure banks retrofitted ports to receive and process shipping containers, which made it profitable to manufacture goods overseas. Similar investments anchored energy-intensive microchip fabrication.

President Obama has proposed a $30 billion infrastructure bank that, unlike the Senate proposal, would not necessarily sustain itself over time. His proposal is tied to the reauthorization of federal highway transportation money and is not, in my view, as far-reaching or well designed as the Senate proposal.

But he recognizes, as his predecessors did, **the importance of infrastructure to national security**. For Lincoln, it was the transcontinental railroad; for F.D.R., an industrial platform to support military manufacturing; for Eisenhower, an interstate highway system, originally conceived to ease the transport of munitions. **America’s ability to project strength**, to rebuild its battered economy and to advance its values is possible only if we possess modern infrastructure.

### --- AT: States Solving Now

#### Many states are not acting

Puentes, 12 --- Senior Fellow and Director of the Metropolitan Infrastructure Initiative (5/22/2012, “New Federalism Already Forming,” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

Make no mistake, none of these are silver bullets, but they do highlight an important point with respect to differences among states and municipalities in the U.S. today. While some states and cities are ambitiously pursuing innovative sources of infrastructure finance—such as partnerships with private and foreign investors—**many others are not**. For example, only 24 states undertook at least one public/private partnership transportation project since 1989. Florida, California, Texas, Colorado, and Virginia alone were responsible for 56 percent of the total amount of all U.S. transportation PPP projects during this time.

### --- XT: Transportation Infrastructure Key to Economy \*\*\*

#### Effective transportation infrastructure is critical to short and long-term growth

**Treasury Department 12** – along with the Council of Economic Advisers. (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, Department of the Treasury, March 23, 2012, <http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf>, Callahan)

Public infrastructure is an essential part of the U.S. economy. This has been recognized since the founding of our nation. Albert Gallatin, who served as President Jefferson’s Treasury Secretary, wrote: “The early and efficient aid of the Federal Government is recommended by still more important considerations. The inconveniences, complaints, and perhaps dangers, which may result from a vast extent of territory, can no otherwise be radically removed or prevented than by opening speedy and easy communications through all its parts. Good roads and canals will shorten distances, facilitate commercial and personal intercourse, and unite, by a still more intimate community of interests, the most remote quarters of the United States. No other single operation, within the power of Government, can more effectually tend to strengthen and perpetuate that Union which secures external independence, domestic peace, and internal liberty.” 1 Gallatin spoke in terms of infrastructure shortening distances and easing communications, even when the only means to do so were roads and canals. Every day, Americans use our nation’s transportation infrastructure to commute to work, visit their friends and family, and travel freely around the country. Businesses depend on a well-functioning infrastructure system to obtain their supplies, manage their inventories, and deliver their goods and services to market. This is true for companies whose businesses rely directly on the infrastructure system, such as shippers like UPS and BNSF, as well as others whose businesses indirectly rely on the infrastructure system, such as farmers who use publicly funded infrastructure to ship crops to buyers, and internet companies that send goods purchased online to customers across the world. A modern transportation infrastructure network is necessary for our economy to function, and is a prerequisite for future growth. President Eisenhower’s vision is even more relevant today than it was in 1955, when he said in his State of the Union Address, "A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security." Today, that vision would include making not only our highways, but our nation’s entire infrastructure system more efficient and effective. Our analysis indicates that further infrastructure investments would be highly beneficial for the U.S. economy in both the short and long term. First, estimates of economically justifiable investment indicate that American transportation infrastructure is not keeping pace with the needs of our economy. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; the Federal government has a constructive role to play by stepping up to address the anticipated shortfall and providing more efficient financing mechanisms, such as Build America Bonds. The third key finding is that investing in infrastructure benefits the middle class most of all. Finally, there is considerable support for greater infrastructure investment among American consumers and businesses.

#### Declining infrastructure will cost a million jobs and a trillion dollars

Senator Coons, 11 (11/3/2011, U.S. Senator Chris Coons (D-Del.), Targeted News Service, “In Floor Speech, Senator Coons Calls a National Infrastructure Bank a Creative Approach to Critical Investment,” Factiva, JMP)

It's a funny thing about infrastructure, how we inevitably take it for granted, whether you are running a state highway system or a county sewer system, you never know how much people miss it until it isn't working the way they expect. And, unfortunately, in cities, counties, and states across our country today, companies and communities are discovering that our aged infrastructure is imposing costs on us that we just can't bear.

The American society of civil engineers, which I have referred to before, recently released a study saying that our nation's deteriorating surface transportation infrastructure alone results in the loss of nearly a million jobs and will suppress our G.D.P. growth by nearly $1 trillion between now and 2020. That's an **enormous loss of future economic activity**. In my view, we can't put this off any further. As a country, we can't keep swerving to avoid these potholes on the path to prosperity. Eventually we're going to hit them and eventually they are going to continue to be a drag on our nation. The Rebuild America Jobs Act would fill these potholes, would patch these pipes, would lay the new runways to allow America's economy to take off.

#### Improving transportation infrastructure key to strong growth

Slack, 11 (11/2/2011, Megan, Targeted News Service, “By the Numbers: 2 Percent,” Factiva, JMP)

WASHINGTON, Nov. 2 -- The White House issued the following blog by Megan Slack:

The United States is falling behind on investing in the roads, bridges, airports, and transit systems that keep our economy humming. We spend just 2 percent of our GDP on infrastructure projects. Europe and China invest 5 percent and 9 percent of their respective GDPs on developing infrastructure.

Functioning infrastructure provides a **critical backbone for a strong economy**. **Research shows that investments in creating, maintaining, or expanding transportation networks promote efficiency, productivity, and more rapid economic growth.**

Today, President Obama is calling on Congress to pass a piece of the American Jobs Act that will invest $50 billion in our nation's transportation infrastructure and $10 billion in a National Infrastructure Bank. Together, these initiatives will put hundreds of thousands of construction workers back on the job rebuilding our roads, rails, and runways. With 1.1 million constructions workers out of work, we can't wait to invest in our infrastructure.

## Competitiveness Adv Extensions

### --- XT: Competitiveness Internal Link

#### NIB is key to boost infrastructure that increases competitiveness – the US is falling behind

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

The National Infrastructure Bank: Separating Myths from Realities

Executive Summary

Building and maintaining world-class infrastructure is essential for America to compete in the global economy and to attract capital investment needed for-long-term growth and job creation. As other countries pour money and resources into modernizing their own infrastructure, the U.S. is lagging behind and surrendering one of our greatest competitive advantages: a strong system of infrastructure that was once the envy of the rest of the world. To regain our competitive edge, we need a national infrastructure strategy that takes advantage of modern financing and policy innovations that other countries are already using to out-invest and out-compete the U.S.

The national infrastructure bank is an approach that has been adopted by developed countries around the world to facilitate investment in new transportation projects and other types of infrastructure, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year. There is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders.

Although leaders throughout the U.S. and around the world support infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar- to many here in Washington. There remains a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act. This testimony addresses many of the misconceptions in Washington about the bank proposals before Congress, and it specifically responds to frequently expressed concerns about the bank.

Now more than ever, Congress needs to consider the full range of options we have to increase U.S. infrastructure investment. The time has come for a clear-eyed look at how a national bank might be one piece of a multi-pronged approach to making the investments we need. Doing that means putting aside polarizing rhetoric from both sides and talking frankly about what a national infrastructure bank is, and what it is not.

A properly structured national infrastructure bank is an innovative and sound investment tool that represents the next step in the evolution of federal financing programs for transportation, energy, and other infrastructure projects. The bank deserves to be at the center of the current debate about the many challenges to investing in long-term economic growth and job creation. As Chamber President Tom Donohue has said, it's an invaluable part of the solution to how we pay for maintenance and improvements that we can't afford to ignore, but it can only work if added to a strong foundation of spending in the transportation reauthorization bills.

I thank the Committee, especially Committee Chairman Mica and Subcommittee Chairman Duncan, for holding this hearing today. I hope the Committee members find today's discussion helpful to fully understanding this important proposal to enhance our national strategy for infrastructure spending and investment.

#### Failure to invest in transportation infrastructure is decking U.S. global competitiveness

Rendell & Ortis, 11--- former governor of Pennsylvania, AND \*\* mayor of Pembroke Pines (8/19/2011, Ed & Frank, “Infrastructure investment boosts U.S. economy, competitiveness; Infrastructure is America's economic backbone,” <http://articles.sun-sentinel.com/2011-08-19/news/fl-infrastructure-us-competitiveness-20110819_1_infrastructure-ports-economy>, JMP)

From highways and bridges to ports and aviation, infrastructure is the economic backbone of America that allows commerce to flow and keeps our quality of life high.

However, the United States has not kept pace with our growing infrastructure needs. And when it comes to transportation policy, we are still following an agenda set more than 50 years ago when Dwight Eisenhower was president.

As proof, we need to look no further than right here in Florida, where much of the infrastructure is outdated, underfunded and badly in need of repairs and modernizations. According to the American Society of Civil Engineers, nearly one in five of Florida's bridges is structurally deficient or functionally obsolete, needlessly putting our families and commuters in harm's way.

Many of our state's road networks are so jammed with traffic that drivers in Jacksonville, Miami and Orlando annually waste more than 200 million hours and nearly 150 million gallons of fuel sitting in traffic. All of this adds up to a $3.8 billion hit to the state's economy.

The story is much the same around the rest of the country: We are living off of investments made several generations ago, and we have not reinvested in the systems needed to ensure that future generations can compete in a global market. This short-sightedness is wasting taxpayer money and time and slowing down the efficient movement of goods around the nation. For example, congestion is so bad in Chicago rail yards that it takes a freight train longer to get across the city than it does to get from Chicago to Los Angeles.

Building America's Future Educational Fund, a national and bipartisan coalition of state and local elected officials, of which we are members, recently released "Falling Apart and Falling Behind." The report lays out the economic challenges posed by our nation's ailing infrastructure, provides a comparative look at the smart investments being made by our international competitors, and suggests a series of recommendations for crafting new, innovative transportation policies.

**Our global economic competitors get it**. At a time when budgets around the world are being slashed, our competitors are wisely continuing to make robust, cutting-edge transportation infrastructure investments. And those decisions are reaping a variety of benefits for their citizens and economies.

Since 2000, China has invested $3.3 trillion in infrastructure projects. They now have six of the world's top 10 ports, while the United States has none. Shanghai's port now moves more container traffic a year than the top seven U.S. ports combined. The European Union invested over $578 billion to create a single, multi-modal network to integrate land, water and air transport networks throughout the EU. And Brazil is developing a $19.7 billion, 223-mph high-speed rail line between Sao Paulo and Rio de Janeiro, which is expected to be running by 2014.

Economists, academics and, indeed, many of our global competitors, all seem to agree: Infrastructure is an investment in our country's future that will create jobs and economic prosperity. What seems to be missing in the United States is the political will from the federal government.

Instead of educating constituents on the economic and job-creating benefits of infrastructure investment, some members of Congress offer a knee-jerk reaction to any new spending. What they fail to understand is that to **get our nation's economy back on track**, we must develop a new, long-term vision for making the type of strategic investments that are based on economics — not politics.

They must embrace such innovative and viable financing options such as creating a National Infrastructure Bank and allowing greater state and local innovations such as congestion pricing. Congress needs to pass a six-year transportation bill and invest more in mass transit, the Next Generation air traffic control system and true high-speed rail.

It's a big job, but America is up to the task. It's time we got started.

#### National infrastructure bank will reverse decline in competitiveness

Cooper, 11--- Senior Fellow at the Center for American Progress (11/9/2011, Donna, “Not Fixing Our Infrastructure, Not Creating Jobs; Conservatives in Congress Are to Blame for Both Dismal Outcomes,” <http://www.americanprogress.org/issues/2011/11/infrastructure_jobs.html>, JMP)

Cuts to urgently needed federal infrastructure funds are reckless on safety grounds but they are also irresponsible on economic grounds. The 2008 World Economic Forum’s Global Competitiveness Index ranked America’s infrastructure among the 10 best in the world. This year our ranking dropped to 24th, behind nearly every major European nation, Singapore, Australia, and Canada. Our ranking declined for the simple reason that we have failed to adequately invest in repairing and modernizing our infrastructure while competitors are doing just the opposite.

One reason these other countries are able to make so much progress is that they have effective public financial institutions like the proposed U.S. Infrastructure Bank—financial institutions that invest with private partners in worthy large-scale and state-of-the-art infrastructure improvements. The European Investment Bank, for instance, has $300 billion to invest in worthy large-scale public infrastructure projects.

#### Key to affordable consumer goods and business global competitiveness

AGC, 11 (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

PART II: BENEFITS OF INFRASTRUCTURE INVESTMENTS

Not only is there a clear role for the federal government in investing in infrastructure, but there is also a clear national benefit from those investments. Much of our current economic prosperity derives from a long legacy of federal support for infrastructure. Federal infrastructure investments have protected thousands of towns and millions of acres of farmland from flooding and erosion, saving billions in costly repairs and lost productivity. Federal investments have irrigated farmlands, protected our drinking water, connected farmers to markets and closed the distances between our communities.

Federal transportation investments, for example, have given the United States what is inarguably the world’s most efficient transportation network. Our interstate highways are the backbone of our modern economy, allowing businesses to quickly and affordably ship billions of dollars worth of goods every year. These highways have facilitated the transition to today’s just-in-time economy. This has allowed employers to significantly increase their productivity by eliminating the need to stockpile large inventories. Instead, parts are delivered to factories and goods are delivered to stores only when needed. These new efficiencies, which wouldn’t be possible without our highway network, have lowered the cost of consumer goods, allowed our businesses to compete globally and supported entirely new industries like overnight express delivery and supply chain management firms.

Federal investments in aviation infrastructure have made air travel more affordable, more efficient, and safer than virtually anywhere else in the world. The U.S. has many world class airports, first rate runways and an air traffic network that safely handles tens of thousands of commercial flight operations every day. Our investments in aviation safety have led to the safest era in commercial aviation the world has ever known. Meanwhile, our investments in community and general aviation airports have connected communities and enabled business people to conveniently travel to virtually any part of the country to meet with clients, supervise factory operations or scout out new opportunities.

### --- XT: NIB => Double Exports

#### Will boost exports to revitalize the economy

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

This traditional rationale for such a National Investment Bank is a powerful one in the contemporary United States economy. The administration has acknowledged that the financial crisis and its aftermath have exposed the needs for fundamental restructuring of the economy. As the President put it in his State of the Union address, “to win the future, we’ll need to take on challenges that have been decades in the making.”

Rebalancing the economy toward exports is one example of what is needed. The twenty-five-year credit boom that began in the mid-1980s generated an unbalanced economy, in which domestic sectors such as construction and real estate grew at an excessive rate, while exporting industries such as manufacturing lagged behind. America’s foreign trade was roughly in balance in the 1970s; in the two years leading up to the recession, the current account deficit in foreign trade averaged 6.5 percent of GDP. To reverse the trade imbalance, the administration has stated its ambition to double exports by 2015. A National Investment Bank could support the President’s National Export Initiative by giving priority to new export industries because of the real economic benefits they would bring in reducing America’s dependence on borrowing from abroad to pay for foreign products.

## Banking Industry Extensions

### **Uniq --- Financial Sector Down**

#### **Financial sector still struggling**

Thomas, 12 [G. Scott, Writer, the Business Journals, April 28, <http://www.bizjournals.com/bizjournals/on-numbers/scott-thomas/2012/04/financial-sector-loses-459400-jobs-in.html>, “U.S. financial sector loses 459,400 jobs in four years”, Accessed July 19, //SH]

The recession may officially be over, but its effects are lingering in the financial sector.

The nation's 100 biggest metropolitan areas lost a collective total of 459,400 financial-activities jobs during the past four years, according to an On Numbers analysis.

The U.S. Bureau of Labor Statistics lumps a wide range of jobs under the financial-activities umbrella, including bankers, insurance agents, stockbrokers, employee-benefit counselors and real-estate agents.

Twelve major markets lost more than 10,000 of these jobs between February 2008 (which came two months after the official start of the recession) and February 2012. The worst declines occurred in New York City (down 48,600 financial-activities jobs), Los Angeles (down 40,300), Chicago (down 35,800), Miami-Fort Lauderdale (down 25,000) and Atlanta (down 22,700).

### Uniq --- Public Confidence Down Now

#### Consumer confidence in the banking industry is at an all-time low

Jacobe 12 – Chief Economist at Gallup. (Dennis, “Americans' Confidence in Banks Falls to Record Low”, Gallup, June 27, 2012, <http://www.gallup.com/poll/155357/Americans-Confidence-Banks-Falls-Record-Low.aspx>, Callahan)

PRINCETON, NJ -- Americans' confidence in U.S. banks is now at a record-low 21%, down slightly from 23% in the past two years and one percentage point below the 22% found in 2009. The percentage of Americans saying they have a "great deal" or "quite a lot" of confidence in U.S. banks is now about half the pre-recession level of 41%, recorded in June 2007. Additionally, for the fourth year in a row, more Americans say they have little or no confidence in U.S. banks than have a great deal or quite a lot. Prior to the recession and financial crisis, more Americans consistently said they had a great deal or quite a lot of confidence in banks than had little or no confidence. This remained the case even in June 2007, just before the recession began, and in June 2008, just prior to the financial crisis. Gallup since 1973 has asked Americans to say how much confidence they have in a variety of U.S. institutions, including annually since 1993. Confidence in banks is higher than only two of the other institutions tested in this year's poll -- Congress (13%) and Health Maintenance Organizations (19%). Tied with banks are television news, organized labor, and big business -- all at 21% and third from the bottom out of the 16 U.S. institutions rated. Confidence in Banks Up in the East, Down in the Midwest Confidence in banks is up in the East, with the 24% who express confidence higher than in any other region. At the same time, confidence has declined in the Midwest from 27% in 2011 to 17% now. Confidence in banks among Americans in the South (23%) and West (21%) is essentially unchanged. However, Americans' confidence in banks across all regions of the country remains down compared with the pre-recession/pre-financial crisis days of 2007.

#### Perception is key

Jacobe 12 – Chief Economist at Gallup. (Dennis, “Americans' Confidence in Banks Falls to Record Low”, Gallup, June 27, 2012, <http://www.gallup.com/poll/155357/Americans-Confidence-Banks-Falls-Record-Low.aspx>, Callahan)

The reality is that U.S. banks are much stronger now than they were during the financial crisis in 2008 and 2009. Federal Reserve Board Chairman Ben Bernanke told the Joint Economic Committee of Congress on June 7 that "Banking and financial conditions in the United States have improved significantly since the depths of the [financial] crisis." He went on to note that the Fed has conducted stress tests of the 19 biggest U.S. banks and these firms have added about $300 billion to their capital since 2009. As a result, even under an "extremely adverse hypothetical economic scenario," most of these banks would continue to be able to provide credit to the nation's consumers and businesses.

In sum, the U.S. needs a healthy financial system in both perceptions and reality to achieve a sustainable economic recovery going forward. However, Gallup's most recent polling suggests banking perceptions have a long way to go before they improve to the degree monetary authorities suggest is the new reality.

#### Consumer confidence in banks is collapsing – accountability and consistency are key

Hospedales 09 – Head of Marketing & Communications, Financial Services KPMG in the UK. (Freddie, “Addressing the trust gap”, KPMG, June 2009, http://www.frontiersinfinance.com/14137.htm, Callahan)

There are things that we take for granted. We trust and rely on what are 'givens.' We turn on a tap and, in most places, water comes out. We put money in a bank without question, and when we want it, it's there. The conventional assumption is that the organization, and by association the people running it, can be relied upon. However, in the past 18 months this convention has been broken. Freddie Hospedales argues that rebuilding trust requires rebuilding brand identity in the widest sense. The Trust Gap The reputation and credibility of many financial institutions, and the people who work in them, have been significantly compromised. It is not just that the system we have assumed was safe has failed; trust in whatever comes next is lacking. In the US, a recent survey shows that only 19 percent of Americans now trust the financial system, and just 13 percent trust the stock market. In the UK, research by a large advertising agency has shown that 25 percent of the UK population has no trust in banks2. By contrast, trust in banks in several emerging economies has actually increased. While trust in banking has dropped by 33 percentage points in the United States, in China trust has risen from 72 percent to 84 percent, and in Brazil from 52 percent to 59 percent3. Part of the cure is recognizing the problem While the focus for many organizations over recent months has rightly been on liquidity, capital and risk management issues, the media have almost daily picked on the leadership of one financial institution or another, intimating bad management and greed as factors leading to the crisis. This impacts on trust in a number of ways. First, general public confidence is damaged. But the same is true of capital markets, whose confidence is fragile at best and which only need the slightest hint of bad news to send markets falling. This perhaps goes some way to explaining the increasing search for blame, particularly since September 2008: people not knowing what they are buying or selling; bonuses paid on short term risk and in failed companies; management not aware of systemic risk; regulators focused on capital not necessarily liquidity; politicians seeking national political gain ignoring the fact this is a global issue. The list of those attracting blame is long. For many, it is time to review or re-think all, or parts of, their business models and strategies.

### **Financial Sector Key to Renewables**

A strong financial sector is vital to clean tech development

Cogan 8 – leader of RiskMetrics’ Climate Change Research Team and expert in investment responses to climate change. Worked with the Investor Responsibility Research Center and Institutional Shareholder Services. (Doug Cogan, “Corporate Governance and Climate Change: The Banking Sector”, Ceres, January 2008, [http://www.ceres.org/resources/reports/corporate-governance-banking-sector)//MG](http://www.ceres.org/resources/reports/corporate-governance-banking-sector%29//MG)

Banks are the backbone of the global economy, providing capital for innovation, infrastructure, job creation and overall prosperity. Banks also play an integral role in society, affecting not only spending by individual consumers, but also the growth of entire industries. As the impacts of global warming from the heat-trapping gases released by power plants, vehicles and other sources take root in everyday life, banks have never been more important to chart the future. The companies that banks decide to finance will be a linchpin in slowing Earth’s warming and moving the world economy away from fossil fuels and into cleaner technologies. There is now overwhelming scientific evidence that worldwide temperatures are rising, glaciers are melting, and drought and wildfires are becoming more severe. Scientists believe most of the warming in the last 50 years is human-induced. This confluence of evidence has galvanized public attention and governments worldwide to take action to avert a possible climate catastrophe. With nearly $6 trillion in market capitalization, the global financial sector will play a vital role in supporting timely, cost-effective solutions to reduce U.S. and global greenhouse gas emissions. As risk management experts, it is essential that banks begin now to consider the financial risk implications of continued investment in carbon-intensive energy technologies.

#### **A strong financial sector is key to renewables --- UK proves**

ACCA 9 - (Association of Chartered Certified Accountants, “The Future of Renewable Energy”, July 2009, Ecolateral, [http://ecolateral.org/Technology/pyrolisis/RenewablesmarketACCAMay09.pdf)//MG](http://ecolateral.org/Technology/pyrolisis/RenewablesmarketACCAMay09.pdf%29//MG)

Ben Warren explained that the UK is actually in a very good position in terms of both investment in renewables and position in the market (see Fig. 2). It already has a significant presence in project financing (the UK has the largest venture capital clean technology market in Europe), business and legal services, and renewable energy generation, as well as a smaller, yet still significant, presence in manufacturing, transportation and industry products. The UK possesses a number of key strengths which lend themselves well to the renewable energy sector, including a strong financial sector (at least pre-credit crunch), a high-tech manufacturing industry, a strong skills and knowledge base and a well-developed infrastructure for both transport and communications. Using these strengths, the UK can increase its presence in the renewable energy market, in particular in the offshore wind (especially following the RO investment), marine, project finance, software, and machinery and fuel for transport industries.

#### A resilient finance sector is key to sustainable energy

Bacani 9 – program officer and asset and insurance manager for the United Nations Environment Program Finance Initiative (Butch Bacani, “Insuring Climate Change and Sustainability”, UNEPFI, July 2009, [http://www.unepfi.org/fileadmin/documents/bacaniarticle.pdf)//MG](http://www.unepfi.org/fileadmin/documents/bacaniarticle.pdf%29//MG)

The ﬁnancial sector has a key role to play in the quest for sustainability, and the insurance industry is a big part of it. Insurance is one of the largest industries in the global economy. In 2007, world premium volume exceeded US$4 trillion, while the industry’s global assets under management stood at over US$17 trillion in 2006. Insurance is essential for a viable economy since it assumes risks that could potentially result in ﬁnancial ruin for an individual or enterprise. Sustainability reduces risks. And if risks are understood and managed well, it opens the door to new opportunities. A sustainable market is an impetus for greater ﬁnancial stability and growth. Because of their extensive reach into the community, insurers have tremendous scope to encourage sustainable behaviour. Further, insurers are major contributors to the economy through their substantial investments and some, such as Allianz and Swiss Re, have established investment funds comprising companies dealing with renewable energy, pollution control and clean water.

#### Strong finance sector is key to catalyzing investment in renewables

Bacani 9 – program officer and asset and insurance manager for the United Nations Environment Program Finance Initiative (Butch Bacani, “Insuring Climate Change and Sustainability”, UNEPFI, July 2009, [http://www.unepfi.org/fileadmin/documents/bacaniarticle.pdf)//MG](http://www.unepfi.org/fileadmin/documents/bacaniarticle.pdf%29//MG)

Recognising the vital role of the ﬁnancial sector, in June 2008 the President of the UN General Assembly convened a special session in New York to discuss “Global Private Investments and Climate Change.” Representatives from the banking, insurance and investment industries briefed member governments on the views and expectations of the ﬁnancial sector on climate change and the development of robust carbon markets. It was stated that the while the global renewable energy market has experienced signiﬁcant growth in the last four years, the growth rate is still very far from the estimated total investments needed until 2050 to cut GHG emissions to half of today’s levels. Therefore, it is imperative for policymakers to better understand the needs of the ﬁnancial sector in order to build a policy and regulatory framework that will catalyse ﬁnance and investments that address the mitigation and adaptation dimensions of climate change in an efﬁcient manner. An appropriate framework will accelerate the development of liquid carbon markets, channel much-needed investments in renewable energy, energy efﬁciency and disaster risk reduction and management, and foster innovative insurance solutions and ﬁnancial risk management instruments. The monumental challenge of climate change is but one example where forging public-private partnerships is crucial.

### Financial Sector Solves Climate Change

#### The financial sector is best at working against climate change

Sustainable Business Institute, 11 [UNEP Finance Intiative, Sponsored by the Federal Ministry of Education and Research, <http://www.unepfi.org/fileadmin/documents/advancing_adaptation.pdf>, “Advancing adaptation through climate information services”, Accessed July 20, //SH]

Shifting to climate-change resilient economies will not be achieved only by governments building dams, improved water systems, and similar large-scale infrastructure. As with the move to a green economy, effective adaptation, in a systemic sense, will only occur if the millions of dispersed business decisions taken every day start to account for climate change factors and impacts. Within the group of private sector decision-makers, representatives of the financial services sector – banks, investors and insurers – stand out in the commercial landscape essentially because of their ability to effectively influence business practice and emerging trends in the real economy: Their daily engagement with clients and investees of all types and sizes and across virtually all sectors of the economy shapes the current and future reality of production processes and services. As such, the financial services sector can be a powerful conduit towards economic systems that are better prepared for the challenges of climate change.

A financial services sector that understands climate change and pro-actively drives adaptation is not only in the highest interest of broader economic stability and the societal well-being it underpins; it is clear that it will increasingly be in the very interest of financial institutions themselves. Banks, investors, and insurers that get ahead of the curve in understanding and managing the risks linked with the physical impacts of climate change will build a strong competitive advantage relative to lagging competitors. The central role of financial institutions in advancing the climate resilience of societies is not only a matter of leverage and necessity, but also a matter of ability and expertise. Adapting to climate change boils down to identifying, quantifying, pricing, and mitigating the financial risks linked with climate change impacts: Risk management is and has always been core to the business of all financial institutions. The key point is that effective risk management requires appropriate information input on all parameters that are relevant for business as well as forecasts of the future development of such factors.

#### The financial sector key to mitigating the risk of climate change

Allianz Group and WWF, 5 [June, London, <http://www.wwf.org.uk/filelibrary/pdf/allianz_rep_0605.pdf>, “Climate Change & the Financial Sector: An Agenda for Action”, Accessed July 20, //SH]

Climate change poses a major risk to the global economy: It affects the wealth of societies, the availability of resources, the price of energy and the value of companies. At the same time, the need to revolutionize the way we use energy opens up a new universe of options for economic development and social benefits.

The financial industry has a two-fold responsibility. On the one hand, it needs to prepare itself for the negative effects that climate change may have on its business and on its customers. On the other hand, it can significantly help mitigate the economic risks and enter the low-carbon economy by providing appropriate products and services.

#### Banks most effective at promoting a shift away from high carbon output

Naidoo, 9 [Dinesh, The Graduate School of Business, University of Cape Town, Masters of Business Administration Degree, <http://www.scribd.com/doc/47518549/Climate-Change-and-the-Role-of-Banks-A-Study-on-the-Corporate-Response-from-the-Major-Banks-in-South-Africa>, “Climate Change and the Role of Banks”, Accessed July 21, //SH]

The challenges posed by climate change are fast emerging as one of the primary concerns for firms, investors and governments. The banking sector is considered an influential intermediary within the economy, capable of mitigating the economic risks arising from climate change and promoting a shift toward a low carbon economy. This study examines the corporate response of major banks in South Africa to the problem of climate change. It employs two different assessment metrics to evaluate the nature of the climate actions taken by these banks and evaluates the quality of these actions in comparison with international banking benchmarks

## Steel Industry Advantage Extensions

### **Transportation Infrastructure Key to Steel Industry**

#### The plan is necessary and sufficient – new transportation infrastructure projects shore up the industry

Spencer, 12 – staff writer for the Pittsburgh Business Times, citing John Surma, Chairman of the American Iron and Steel Institute Chairman and CEO of U.S. Steel Corp (Malia Spencer, “Surma: Transportation infrastructure must be a national priority”, Pittsburgh Business Times, 4/11/12, <http://www.bizjournals.com/pittsburgh/news/2012/04/11/surma-transportation-infrastructure.html?page=all> | AK)

Transportation infrastructure, energy, tax reform and trade issues are on the federal policy agenda for the American Iron and Steel Institute, said institute Chairman John Surma. Surma, who is also chairman and CEO of Pittsburgh-based United States Steel Corp. (NYSE: X), outlined the key issues the trade organization will be lobbying on Capitol Hill on behalf of its industry members. It’s an industry, Surma said, that is the backbone of manufacturing and supported more than 1 million jobs and $101 billion in the national economy in 2011. “Despite this encouraging analysis, the U.S. manufacturing sector faces significant challenges to international competitiveness,” Surma said ticking off the usual culprits — taxes, uncertain energy policy, inadequate infrastructure and unfair trade. “These are not new issues, but the urgency to address them is immediate.” The most pressing issue AISI wants to see Congress address is the looming deadline to pass a surface transportation bill that would fund infrastructure projects and would both boost the industry that provides products for construction and also boost business by making goods transportation more efficient. “We must make rebuilding transportation infrastructure a top national priority,” Surma said. To do this, AISI President and CEO Tom Gibson said the organization is “in the midst of a full court press” to encourage lawmakers to pass a long-term and robust transportation bill. The country hasn’t had a long-term transportation bill since 2009 when the last bill expired. Since then, Congress has passed nine short-term extensions. The most recent came just before the March 31 expiration date of the last extension. There are two potential long-term bills floating in Congress. In March, the Senate passed a two-year, $109 billion bill, but the House has not acted on this bill. The proposal in the house is for four and a half years and would cost $260 billion. The industry’s preference is for the “longest most robustly funded bill the congress can produce,” Gibson said. “At this point we want the House to produce the best bill it can to get into conference with the Senate so we don’t need a 10th extension in 75 days,” Gibson said. Trade is another top priority for the industry, which continues to monitor the nation’s steel import numbers and the practices of U.S. trading partners. Last year, offshore finished steel imports were up 22 percent compared to 2010, Gibson said, with the most product coming from South Korea, China and Japan. In the first quarter of this year, finished steel imports are up 30 percent year-over-year, led by South Korea, Turkey and Japan. “We always are going to be advocating strict enforcement of our trade laws,” Surma added. In 2009, U.S. Steel won an unfair trade case against certain Chinese steel imports. Now, AISI is working to get Congress to act on what the industry sees as unfair trade practices by China and any other country that artificially undervalues its currency. Congress has shown in recent months that when faced with a pressing issue, it can come together and pass a bill, and China’s currency manipulation needs to be moved into that category, Surma said.

#### Transportation infrastructure investments are necessary to remedy unemployment in the steel industry

Ngai, 11 – Trade Reporter at American Metal Market (Catherine Ngai, “Breaking it down: How will Obama's jobs proposal affect steel?”, American Metal Market, 9/22/11, General OneFile | AK)

NEW YORK -- When the President unveiled his $447-billion American Jobs Act, aimed at spurring economic development and growth, lawmakers and advocates on both the right and the left argued that some of Obama's talking points take the wrong approach. AMM takes a closer look at the legislation to see how it will affect the steel industry. Infrastructure: $140 billion What it does: \* Aims to put Americans back to work in areas key to the nation's future competitiveness and tackle the "D" grade that the American Society of Civil Engineers gave the United States for overall infrastructure conditions. \* Creates the National Infrastructure Bank. \* Modernizes at least 35,000 public schools, aims to make overcrowded schools more efficient. \* Invests $52-billion immediately to jump-start critical projects through rebuilding highway, transit, passenger rail and aviation infrastructure, including $27 billion for highways, $9 billion to repair transit systems, $2 billion to improve airport safety, $10 billion to finance and invest in infrastructure and $4 billion to develop a high-speed rail corridor. Feedback: This could be a boon--if implemented in full. "Thirteen percent of the nation's bridges are deficient and in need of rebuilding. They'll need steel in one way or another, either out of our plate mills, long product mills or even our rebar plants. All this will mean work for the steel industry," said Thomas Conway, international vice president of the United Steelworkers union. Rick Fedrizzi, president, chief executive and founding chairman of the U.S. Green Building Council, agreed. "It is clear that we must rebuild and modernize our increasingly brittle built environment. The country's infrastructure is in desperate need of investment, and the thousands of building sector professionals and small businesses can be put back to work overnight." Some in the steel sector wonder, however, whether the investment is large enough to have an impact. "The American Iron and Steel Institute is supportive of funding for transportation infrastructure projects.... However, this is not a substitute for the urgent need for the President to actively work with Congress to get a bipartisan, multi-year transportation reauthorization bill passed before the end of this year. This action would have the greatest impact on unemployment while also addressing our nation's crumbling infrastructure," AISI president and chief executive Thomas J. Gibson said in an e-mail.

#### New transportation infrastructure projects are the key to long-term steel industry recovery

Robertson, 10 – Pittsburgh Bureau chief at American Metal Market (Scott Robertson, “Sustainable recovery in steel industry seen several years away”, American Metal Market, 3/12/10, General OneFile | AK)

CHICAGO -- The North American steel industry should ride rising prices and modest improvements in demand to limited recovery in 2010, but sustainable recovery may be several more years away, according to a number of industry analysts. The key to long-term recovery remains the need to repair the nation's infrastructure, and while that facet of recovery has been slow to develop for U.S. steelmakers, it remains a solid long-term bet to a sustainable turnaround, according to analysts in a panel discussion at Steel Business Briefing's Steel Markets North American Conference in Chicago. "Government stimulus is coming," said Timna Tanners of UBS Securities. "Only about 20 percent of the transportation spending has been done. That means there is still 80 percent more to go." Steel producers have been skeptical of the impact of government stimulus spending thus far. The American Recovery and Reinvestment Act, when first announced, was expected to significantly boost steel production and consumption based on the amount of plate and rebar, in particular, that would be needed to repair the nation's transportation infrastructure. Instead, much of the funding has gone to less steel-intensive projects, like resurfacing work, leaving many steelmakers and downstream users frustrated over the lack of work created by stimulus funds. Panelists were generally cautious about the pace of sustainable recovery, but generally agreed that the steel industry is well-positioned in the short term for recovery based on its cost-containment efforts and shift to focus on profitability rather than tons shipped as the most recent economic downturn developed. Most agreed with Tanners' assessment that nonresidential construction will continue to struggle, and said that while automotive demand has picked up in recent months, there remains a long way to go before automotive markets return to normal production levels. "Steel orders are up," said Mark Parr, managing director at KeyBanc Capital Markets Inc., Cleveland. "Producers are getting 35-cent (-per-pound, or $700-per-ton) hot band and inventories are low. China is shifting away from being export dominant. The global raw materials situation provides upward momentum for the industry." All of those are factors that stand to benefit the North American steel industry in the short term. Parr said China is moving away from exporting steel and will need to consume more raw materials--which it does not have--to meet its steel production needs. "The weak dollar enhances the U.S. raw materials advantage," Parr said. "Momentum is here to stay throughout 2010. I'm not as sure about 2011. There could be another downturn. I think the important thing is for the steel industry to maintain a low profile and make as much money as you can (in 2010)." Dan Sullivan, a director in the Chicago office of Houlihan Lokey, said market conditions have evolved to the point that the time is right for another wave of consolidation activity, a view seconded by John Lichtenstein, managing director, global metals industry, with Accenture. "I think the questions we have to ask," Sullivan said, "are have we turned the corner to sustainable recovery; can prices increase without domestic demand; and where does re-stocking end and new orders begin? I think it's phenomenal that, given the recession, more steel companies and service centers did not go bankrupt." Part of the reason for the low level of bankruptcies during the recession, Sullivan said, lies in the benefit of oligopoly. "It allows the industry to adapt more quickly," he said. The recession, though, slowed merger and acquisition activity in 2009, and he expects a significant pickup in 2010 based on several factors, including that many well-managed companies have cash to spend and some companies that were on the verge of being taken over when the recession developed were "left at the altar" but now are back in position to be taken. "One bright spot for the industry is infrastructure," he said. "It's a little hazy with the highway bill in limbo now. But a huge bulge of infrastructure that was developed in the '50s and '60s is old already and needs repaired. It's 40 to 45 years old already and is going to experience a significant amount of deterioration in the next five to 10 years. "In the long term, there is going to have to be greater spending on infrastructure." Lichtenstein presented what he called a more "sobering" long-term view for the industry, noting that more steel restructuring is in the future, much of it via consolidation. "But we have to keep in mind that weak market conditions do not mean weaker profitability," he said. Lichtenstein's "sobering" view is that sustainable recovery is unlikely to occur for the industry until at least 2015. By that time, he said, the automotive industry should return to building close to 16 million vehicles per year. He said the North American market still faces significant overcapacity issues, but consolidation activity to date will make it easier for companies to retire capacity going forward. "We think there is going to be some further consolidation," he said. "But if we are just flipping assets to someone who has a lot of money but does not restructure, we are not moving ahead."

#### Investing in efficient transportation infrastructure is key to the future of the steel industry – key to the economy

Gibson, 12 – President and CEO of the American Iron and Steel Institute (Thomas J. Gibson, “U.S. Steel Industry Driving the American Manufacturing Renaissance”, 3/21/12, <http://www.mysteelworks.org/2012/03/us-steel-industry-driving-american.html> | AK)

A recently released study titled, “Economic Impacts of the American Steel Industry,” conducted by Dr. Timothy J. Considine, SER Professor of Energy Economics at the University of Wyoming reveals that the U.S. steel industry is helping lead our nation’s manufacturing post-recession resurgence by supporting more than one million U.S. jobs and adding billions of dollars to the economy. Dr. Considine points out that, “Since steel is the most prevalent material in our economy, the steel industry is highly interrelated with other economic sectors, as reflected in the ripple effect on employment.” In order to continue the revival of our nation’s manufacturing sector, we must continue to be proactive in these three issue areas: transportation, trade and energy. We must make rebuilding our crumbling transportation infrastructure system a top national priority. It is essential to be able to do business efficiently within our own borders in order to maintain our dominant role in the global economy. We urge Congress to pass a multi-year, fully funded surface transportation bill before the current extension expires later this month. Secondly, it is critical that the Obama Administration and Congress continue to pressure foreign governments that continue to artificially undervalue its currency. We cannot give a free pass to countries that flagrantly disregard their World Trade Organization commitments. Lastly, we must develop our domestic energy sources, both on- and off-shore. By developing our natural gas and oil reserves, our nation can lessen its dependency on foreign oil, create thousands of jobs and spur economic growth. However, one of the biggest threats to developing our nation’s domestic energy sources is overly burdensome and misguided federal regulations. Excessive and misguided regulations could stifle the burgeoning manufacturing renaissance that the steel industry is leading. As the report reaffirms, our nation’s steel industry, which operates over 100 facilities, is helping drive this post-recession manufacturing Renaissance. Yet, our success could be impeded by inaction in these three crucial policy areas. We must work together to ensure that our manufacturing sector will be able to continue to thrive. -AISI President and CEO Thomas J. Gibson

#### Investment in new transportation infrastructure reverses the current decline of the steel industry

Tweh, 12 – Business Reporter at The Times of Northwest Indiana, citing John Surma, CEO and Chairman of the United States Steel Corp. (Bowdeyah Tweh, “U.S. Steel chief calls for U.S. to invest in its infrastructure”, Northwest Indian Times,, 7/7/12, <http://www.nwitimes.com/niche/inbusiness/u-s-steel-chief-calls-for-u-s-to-invest/article_fc707d65-f9e7-57ee-8567-4d4d5954f696.html> | AK)

Nearly three weeks before Congress reauthorized a federal transportation bill, steel executives clamored for leaders in Washington to make a substantial commitment to upgrading the nation's infrastructure. One of those executives was United States Steel Corp. Chairman and CEO John Surma. In a speech and brief interview June 19 at the Steel Success Strategies XXVII Conference in New York, Surma said politicians on both sides of the aisle understand a long-term infrastructure investment should be made. He said that for political reasons, he doubted anything would happen until after the November elections. Industry leaders have been vocal since the recession in lobbying for a long-term infrastructure support plan to boost activity in the sector and employment by funding pipeline and bridge projects. Surma said the company was making its own long-term investment at its Gary Works complex, which is the company's largest in terms of raw steel-production capacity. He said construction of two modules to produce a substitute to coke to use in blast furnaces is "well under way" and start-up is expected this year. "It's environmentally a very positive development" because it has lower emissions compared to the traditional coking process and can generate steam and electricity, Surma said. Surma declined to discuss progress of negotiations with the United Steelworkers on a new labor contract, which expires Sept. 1. He said U.S. facilities have had good productivity levels and the union workers have reasonable profit-sharing levels. He said specifics on negotiations will be left to the conference room with the union, but “I'm confident we'll come to a good solution.” There has yet to be a good solution to help the company's beleaguered perception in the eyes of Wall Street. Shares of U.S. Steel stock closed Friday near $21 per share, which is down nearly 90 percent from the January 2008 peak. Macroeconomic conditions facing the industry and concerns about the company's cost structure are among the reasons analysts have provided for their decisions, but Surma said he tunes out the distractions. “We try to take somewhat of a longer view,” Surma said. He said it's a fact he can't escape, but “I don't obsess over it. If I did, I wouldn't get any work done.” The company's second quarter ended June 30 and will release its financial results in the coming weeks. New hire: Last week, U.S. Steel hired former Gerdau Ameristeel Corp. executive Mario Longhi to be the company's executive vice president and chief operating officer. Longhi, 58, was president and CEO of Gerdau from 2006 to 2011. Environmental progress: Surma said between 1990 and 2009 the domestic steel industry reduced its energy intensity and greenhouse gas emissions by more than 30 percent.

#### Now is key – investment in transportation infrastructure is crucial to the health of the steel industry

Boselovic, 12 – staff writer for the Pittsburgh-Post Gazette, citing John P. Surma, Chairman and CEO of the United States Steel Corp. (Len Boselovic, “Steel industry sets agenda for election”, Pittsburgh-Post Gazette, 4/12/12, <http://www.post-gazette.com/stories/business/news/steel-industry-sets-agenda-for-election-631008/?print=1> | AK)

Lower corporate tax rates, sounder energy policy, better infrastructure, less burdensome regulations and fair trade top the U.S. steel industry's agenda this presidential election year, industry leaders said Wednesday. U.S. Steel Chairman and CEO John P. Surma said enacting measures to address those concerns will bolster a manufacturing sector that is leading the nation out of the recession. He made the comments in a conference call hosted by the American Iron and Steel Institute, an industry group Mr. Surma heads. His comments were echoed by institute President and CEO Thomas Gibson, who said the industry group is working hard to convince Congress to approve a long-term transportation bill. Lawmakers passed a temporary measure last month that extends highway funding for 90 days after failing to overcome partisan differences over how much to spend and how the work should be funded. Mr. Gibson urged Congress to approve a long-term solution with consistent funding so that states can start planning large construction projects that address the nation's infrastructure problems and support economic growth. "What's clearly the weak link at this time is construction," he said. Mr. Gibson said one roadblock to moving ahead with infrastructure improvements has been the objections of some House Republicans to generating revenue for highway projects. "This is a must-do function of government. Only the federal government can do this," he said. Mr. Surma said repairing the nation's crumbling locks and dams, whose deteriorating condition was highlighted in a recent Post-Gazette series, should be "a high priority." A bill that calls for a 30 percent increase in the diesel fuel tax barge operators pay to fund river infrastructure projects was introduced March 30. Congress will have to resolve differences over the highway funding bill before taking up the waterways measure, Mr. Gibson said. Mr. Surma also urged the U.S. Environmental Protection Agency to reconsider proposed regulations, saying many of the measures the agency has in mind would increase the industry's costs while providing "little or no environmental benefit." As an example, he cited a proposal that would force steel producers to waste gases produced by coke ovens instead of using the energy to power boilers.

#### US infrastructure key to the steel industry’s competiveness

Ngai, 4/11, Senior writer for Metal Bulletin (Catherine, “Surma lays out key policy priorities for AISI”, Metal Bulletin, 4/11/12, Lexis Nexis)//AKramer

The US steel industry needs less-burdensome government regulations, affordable energy, adequate investments in in-frastructure and strong enforcement of international trade regulations to ensure growth moving forward, according to American Iron and Steel Institute chairman John P. Surma. "The American steel industry is leading the economy out of the recession. The rationale behind that is that steel con-tinues to be the basis, backbone and essential building block of the economy," Surma said during a media conference call highlighting AISI policy objectives for 2012. "For every job formed in the steel industry, seven additional jobs are formed in other economic sectors." Surma, who is chairman and chief executive officer of Pittsburgh-based U.S. Steel Corp., spoke with urgency of the need to encourage growth in U.S. manufacturing. One area of discussion was the importance of passing a multiyear infrastructure bill, which would help stimulate steel demand and allow U.S. companies to be competitive internationally. "Our crumbling infrastructure system is a top national priority," he said. "It's essential to be able to do business effi-ciently within our own borders." Last month, Congress passed a last-minute 90-day short-term infrastructure extension, the ninth of its kind, in efforts to continue funding the nation's highways, surface transportation and bridges. Surma added that many of the new and aggressive regulations proposed by the Environment Protection Agency (EPA) have been "counterproductive" for the steel industry and increased costs with no true benefit. Strict trade enforcements, including domestic trade laws and cases brought by the U.S. Trade Representative at the World Trade Organization (WTO), also must be maintained to ensure fair competition. "China employs certain protectionist policies . . . (such as) undervaluing its currency by as much as 30 percent. We need to maintain strength in our trade remedy laws to ensure well-paying jobs, critical materials for our national defense and high-value exports," he said. "We want our nation's manufacturing sector to thrive and drive our economic recovery."

**Investment in transportation infrastructure key to reinvigorate the steel industry**

Prentice, 3/22, Senior writer Metal Bulletin (Chris, “Infrastructure, fair trade said key to recovery”, Metal Bulletin, 3/22/12, Lexis Nexis)//AKramer

U.S. spending on transportation and infrastructure and increased protection from trade imbalances will help the recovering domestic steel sector stay on track, industry leaders told the Congressional Steel Caucus in Washington. John P. Surma, chairman and chief executive officer of U.S. Steel Corp. and chairman of the American Iron and Steel Institute, said the industry is recovering, but the recovery has been slow. "Apparent steel demand in the U.S. continues to increase, but even after the expected gains of 6 percent this year and another 6 percent next year, demand in the U.S. would still only be at 88 percent of the four-year annual average preceding the recession," he told the steel caucus hearing. The major exception to moderate year-on-year growth in steel market segments this year is construction, which continues to be a drag on U.S. economic and steel market growth, particularly in terms of public sector construction, Surma said. In order to stimulate further growth, domestic spending on transportation and infrastructure is a must, industry executives said. "The steel industry urges Congress to provide a dedicated source of revenue on a long-term basis sufficient to meet the growing infrastructure needs of this economy," ArcelorMittal USA Inc.'s president and chief executive officer, Michael G. Rippey said, adding, that the House of Representatives should follow the Senate's lead in passing a transportation funding bill. The Senate last week approved a two-year, $109-billion surface transportation funding bill ahead of a March 31 deadline. The House is still considering its own five-year, $260-billion transportation bill (AMM, March 15). Executives said that legislators also need to address state-owned enterprises, notably in Russia and China, that make it difficult for U.S. mills to compete. Some 80 percent of all Chinese outward investment-which totaled $73 billion in 2011, up from $10 billion in 2005-has been funded by state-owned enterprises, Nucor Corp. chairman and chief executive officer Dan DiMicco said, citing data from The Economist. The steel industry would support legislation against Chinese currency manipulation as one way to create a fairer balance with foreign competitors, he said. "We have let China manipulate its currency for far too long. Our trade deficit in goods with China-if these numbers don't blow your mind, I don't know what could-was $295 billion last year alone and over $2.4 trillion since 1999."

### **NIB Key To Steel Industry**

#### New transportation infrastructure stimulus reverses the decline of the steel industry – NIB is key to catalyze job-creation and long-term investment

Robertson, 9 – Pittsburgh Bureau chief at American Metal Market (Scott Robertson, “(AMM) Steel pushing surface transport bill amid deepening jobs crisis”, Metal Bulletin Weekly, 11/2/09, ProQuest | AK)

With the winds of health-care reform and climate-change legislation blowing around them, 36 members of the Congressional Steel Caucus are bringing another fight to the forefront. In a letter to House Speaker Nancy Pelosi (D., Calif.), the caucus urged quick passage of a surface transportation bill that some in the steel industry believe could serve as a "second stimulus," creating needed manufacturing jobs and infrastructure improvements that the government's first stimulus package failed to achieve. "We are writing as members of the Congressional Steel Caucus to share our strong support for passage of a surface transportation authorization bill as soon as possible in order to help grow jobs and aid in our nation's economic recovery," the letter said, also citing a Transportation Department study stating that nearly 35,000 American jobs are supported for every $1 billion invested in federal highways. "Timely infrastructure funding will truly be the second stimulus package," the letter said. The steel industry is picking up the mantra but knows it has a tough battle. Health-care reform and climate-change legislation remain at the top of the Obama administration's agenda, and steel industry interests believe they must bring the need for the surface transportation bill to the President's attention. Representatives of the American Iron and Steel Institute (AISI) and the Steel Manufacturers Association (SMA), both based in Washington, have met with caucus members and with Rep. James Oberstar (D., Minn.), chairman of the House Transportation and Infrastructure Committee, to push for passage. Oberstar supports the bill, known as the Surface Transportation Authorization Act of 2009, and will be participating shortly in a radio spot with AISI president Thomas J. Gibson in promoting the need for passage. The spot is set to air on more than 700 radio stations nationwide. Gibson thanked Reps. Pete Visclosky (D., Ind.) and Tim Murphy (R., Pa.), the respective chairman and vice chairman of the steel caucus, for their leadership in bringing together a bipartisan group of caucus members to sign the letter to Pelosi. "Congress needs to move with a sense of urgency to get a bill passed as opposed to providing a long-term extension," Gibson said. "In order to maintain its position as a global leader, the U.S. must upgrade its crumbling infrastructure sooner rather than later. We as an industry support providing an adequate level of funding in the reauthorization for all federal infrastructure needs to ensure the U.S. has an effective and efficient infrastructure system." Thomas A. Danjczek, SMA's president, said his group's membership continues to support the highway bill reauthorization efforts primarily with grassroots efforts. "Regrettably, the current legislation is low on the list of priorities for Congress?behind health care?and is caught up in spending concerns," he said. "Postponement of the legislative process is most disappointing with extensions and items as in the Senate with Sen. (Barbara) Boxer (D., Calif.) being adamant about pursuing an 18-month extension." Danjczek pointed out that five years ago, 14 such extensions caused interminable delays in getting legislation approved. "The infrastructure is the backbone of our nation's economy," he said. "One bit of good news is that the SMA has for years called for the establishment of a Federal Infrastructure Bank to expand and enhance transportation infrastructure project funding. It's moving along. I am surprised that our legislators don't jump on the infrastructure bandwagon both for the real need and that it provides deliverables for those seeking re-election in 2010." Nucor Corp. executives hit hard at the jobs issue during the Charlotte, N.C.-based company's third-quarter earnings conference call on Oct. 22, saying they have seen no impact on job creation or steel consumption from federal stimulus thus far and don't expect any in the near future. Daniel R. DiMicco, Nucor's chairman, president and chief executive officer, sees real steel demand in for a long, slow recovery, a reflection of serious structural imbalances that led to the ongoing economic crisis. "The imbalances are excess of leverage, artificially induced consumption from the credit bubble and mercantilist trade abuses," he said. "Even worse, our nation's leaders, both the Democrats and Republicans, have yet to define properly the real problem facing our economy and our nation. These structural imbalances must be fixed with pro-growth policies. While we argue over health care and global warming for short-term tax cuts and tax fair handouts, the U.S. economy continues to suffer a massive hemorrhaging of jobs." DiMicco put those job losses into perspective with a series of statistics, noting that since the present recession began in late 2007, U.S. job losses now total more than 8 million. The U.S. economy needs to generate about 150,000 new jobs every month just to provide enough jobs for those entering the work force after completing their education, he said. "If you add these to the needed new jobs?not created to hold those lost?the job creation need over the next 5 to 10 years is huge, totaling 11 million jobs, we have a jobs creation crisis in our midst," DiMicco said. "We're not done losing jobs and not done creating the need for new ones; so those numbers will be getting bigger over the years. We should also keep in mind this is not inclusive of the 4 million manufacturing jobs that disappeared between 1999 and 2007." The underemployed and those who have given up looking for work only add to the crisis. "The time is long overdue for policies of the United States which attack the real problem: jobs, jobs and jobs," he said. "We do this by rebuilding our balance in trade, rebuilding our credit and infrastructure, and rebuilding our energy infrastructure. Failure to implement policies to accomplish this will only give us the granddaddy of all jobless recoveries and a longer, slower, protracted economic recovery."

#### Long-term investment and financing in transportation infrastructure rebuilds the steel industry – NIB is the best solution

Schwartz, 11 – is Chairman and CEO of BLS Investments, LLC, a private investment firm. He also manages the investments of the Bernard and Irene Schwartz Foundation, which promotes the development of US economic policy initiatives through investment in think tanks, universities and advocacy organizations and also supports higher education, medical research and New York City-based cultural organizations. Mr. Schwartz is also an active supporter of the Democratic Party. Prior to establishing BLS investments in March 2006, Mr. Schwartz served for 34 years as Chairman of the Board and CEO of Loral Space & Communications and its predecessor, Loral Corporation. Mr. Schwartz is a long-time leader in urging public/private investments in infrastructure and the creation of a National Infrastructure Bank (Bernard Schwartz, “REINVESTING IN AMERICA FEATURE: An Interview with Bernard Schwartz”, Center On Law & Public Finance, 3/16/11, <http://www.bernardlschwartz.com/political-initiatives/BLS_3-16-11.pdf> | AK)

When it comes to infrastructure, do we have a deficit of long-term thinking? We haven’t had leadership in this country since the Second World War that looks to long-term economic development. Most of our infrastructure solutions are short term. We used to make railroads in this country. We used to make all sorts of things that are now built elsewhere. We built the steel industry in Japan after the Second World War. You can write volumes of books on America’s generosity in rebuilding post-War Germany and Japan which we rebuilt from destitution. In thinking about those investments though, we should have had some sort of compensation and enrichment for ourselves. Instead, we don’t have a steel industry in this country practically. So long-term thinking in this country is not one of our strengths. It would have been better if we had long-term thinkers during the post-War period. We need long-term thinkers now. Part of that long-term thinking is investing in infrastructure. It is interesting that in America we are one of the few countries without a capital budget. No business in America runs without a capital budget. Most states and cities have capital budgets. When it comes to infrastructure investment, we have a weak federal government and over 100 state and local markets. Do you see this as an impediment? I’m not sure it is all bad. It brings with it innovation and mobility of capital and labor that makes this country so extraordinary and brings us such wealth. But it carries with it the burden of how to get things done. We really have 51 governments of the United States. If you add the city governments you have many more. So if you have a regional problem such as high-speed rail, for example, you have to work with New York and New Jersey and other contiguous states for one project. And each one of those governments brings to it a special viewpoint. So the coordination and the amount of investment in making a regional project with more unified purpose is not so easy. For instance, there are projects that I know of in the United States for which private enterprise has walked away because it takes too long to manage the issue of how to bring the various states and cities together to make the investments happen. It discourages private investment. However, when we have had strong national leadership from Jefferson’s day to Lincoln’s and to Roosevelt’s, we’ve been able to do things. Eisenhower built a national road system in three years. He got all the governors to stand up and say that’s what we’re going to do. So, if we have strong national leadership, we are able to manage the inefficiency and ineffectiveness of a multi-political structure. If we have weak national leadership we suffer from it. People are afraid of strong national leadership because we are Americans, but sometimes we need it and it works well. Like the second stage of Obama’s presidency, the second phase of FDR’s New Deal shifted away from government vehicles and toward quasipublic entities that leveraged federal, state, local and private sources. I have just written a book about this, Obama’s Bank (Cambridge University Press). Is this what you have in mind with the National Infrastructure Bank? We are working toward a National Infrastructure Bank as a way of coalescing these very interests so that the financial contribution comes from various sources: 30 percent federal, 30 percent from states and local governments, and then with the balance coming from the private sector. That is hard to do. But I think that’s a lot easier to do than to build a national grid for the northeast from solely federal sources. Do you believe that an Infrastructure Bank should use different tools for different tasks? I really believe that a National Infrastructure Bank should not just support one way of carrying out a project. It should employ a multitude of banking tools, including leverage, guarantees, loans, etc., depending on the project’s merit and on whether it will generate revenue through user fees. We are a broad enough country in the United States that we are going to need to look to different kinds of solutions for what seems to be similar kinds of programs and projects. What we need to recognize is that the United States now spends about 2 percent of our GDP which is approximately 280 billion dollars every year – on infrastructure. This money is largely raised in capital from public markets with the remainder coming from government expenditures. We used to spend 3 percent on infrastructure. Starting in 1976, this level of infrastructure investment dropped to two percent and we have kept it there. If you add up that 1 percent over this period, it comes to the 2 trillion dollars in needs identified by the American Society of Civil Engineers as our infrastructure investment deficit. The underfunding has had its effect. But, we nonetheless have an extraordinary amount of investment in municipal bonds managed in private markets and sold to private investors. Some have public advantages bestowed by tax-free municipal bonds. Public-private-partnerships are one way for local and state governments to harness the capacity of their collective resources and tie them into private businesses. This is a model that has worked. It is not used as much as we’d like and should be. We’re talking about the situation that government would have a bank and it would work in partnership with private investors to identify and finance those projects through multiple ways such as taxes, bonds, and guarantees. The aim would be to get the private sector to be partners as managers in financing and execution along with the government. This is sound, but it is also only one way for managing infrastructure and job replacement.

#### A national infrastructure bank is key – new transportation infrastructure projects shore up the steel industry

Petry, 9 – correspondent at American Metal Market (Corinna Petry, “Federal infrastructure plan spurs hope, doubt”, American Metal Market, 6/22/09, General OneFile | AK)

CHICAGO -- Steel producers expressed strong hope that congressional efforts to boost infrastructure and transportation spending from 2010 to 2016 would succeed, but their experience with the American Recovery and Reinvestment Act has taught them to be a bit skeptical about the likelihood that so much money--although desperately needed--would materialize. The House Committee on Transportation and Infrastructure is calling for the creation of a National Infrastructure Bank and $450 billion in highway, highway safety and transit investment over six years. Last week, it issued a blueprint for programs under the Surface Transportation Authorization Act of 2009, which seeks a 38-percent increase in funding above the existing $326-billion spending bill, the authorization of which expires Sept. 30. An additional $50 billion is sought for high-speed rail systems. "I believe they (state and federal governments) will have to spend the money. It is long past due and, with the current Highway Trust Fund (running out of cash), it's critical to move quickly on this," according to Jack Stutz, president of Rancho Cucamonga, Calif.-based rebar mini-mill Tamco Steel Inc. The United States has under-spent on infrastructure and "it is worn out," he said, adding that a boost in funding, if it passes and states can provide matching funds, will "be of tremendous help to the steel industry." On the other hand, producers are still waiting for the stimulus package to actually stimulate steel orders. "It was so shallow in terms of (infrastructure) dollars. All of us are sitting around, asking where is the stimulus?" Stutz said, noting that the existence of "shovel-ready" projects on the state level "was a myth. We have not seen any big offerings out for bid." For Steel Development Co. LLC (SDCO), which is building a rebar mill in Amory, Miss., and planning others, "this news is an affirmation of our business model and strategic business plan," chief commercial officer Mark Bula said. "We need to rebuild roads and bridges. It will be critical to commerce and the people for obvious reasons," he said. Although the current recession has truncated financing for many building projects, SDCO is focused on the long term and Bula believes "the timing of our launch will be very good." The Amory mill is scheduled to launch sometime in the third quarter of 2010. He cited estimates by the Concrete Reinforcing Steel Institute that every $1 billion in highway spending equals 70,000 tons of rebar. If only one-quarter of the $450 billion was spent on highways ($112.5 billion), those projects would require nearly 7.9 million tons. In a 10-million-ton domestic market, "that is a huge increase in rebar," Bula said. Producers of other long products used in construction foresee growth opportunities. "A large potion of our business is construction oriented," a Midwest mill executive said, citing numerous wire rod, bar and wire applications for public buildings and highways. The company is already a Department of Transportation-certified supplier with several states and is prepared to obtain more certifications. Even if Congress and the President approve the legislation, he remains skeptical. "We have had previous highway bills passed and signed and never funded, so no one benefited," the executive said. For Steel of West Virginia Inc., the "new spending absolutely will help us as well as our sister SDI (Steel Dynamics Inc.) plants," Timothy R. Duke, president and chief executive officer, said. The company, a unit of Fort Wayne, Ind.-based SDI, makes guardrail posts, posts used in cable systems in highway medians, bridge floor sections and other products used in construction. "We're also very excited about the proposed high-speed rail systems," he said. "Congress has already approved $8 billion and promised another $1 billion per year for the next five years for high-speed rail projects. We make conductor rail that is used in mass transit rail systems (and) we make a rail used for high-speed passenger and freight magnetic-levitation trains." Domestic steelmakers and distributors told AMM they also stand to benefit as their products are needed to build off-highway construction equipment, construction trailers, light poles and signage, parking structures, commuter rail stations and on and on. "It couldn't hurt. Anything in addition to what's going on will be a good development for any mill, fabricator or erector," a New England distributor executive said, referring to the overall proposed spending.

#### Infrastructure investment is crucial to steel industry competitiveness – NIB is the best solution

Gordon, 12 – reporter at the American Metal Market (Lisa Gordon, “Foreign export limits said hurting US”, American Metal Market, 4/24/12, General OneFile | AK)

PITTSBURGH -- The United States must address foreign scrap export restrictions and invest in infrastructure if mini-mills are to remain competitive, industry players said in testimony Friday before the Congressional Steel Caucus. "Excessive foreign purchases of U.S. scrap are hollowing out our domestic scrap supply, while other countries' own scrap export restrictions distort markets and discourage the development of needed recycling networks," Jim Anderson, general manager of Steel Dynamics Inc. (SDI)-owned the Techs, testified during the session on behalf of the Steel Manufacturers Association (SMA). Anderson told the five lawmakers present at the meeting that they appear to be indifferent to the foreign appetite for U.S.-based scrap. Ferrous scrap exports totaled nearly 24.3 million tonnes in 2011, according to U.S. Commerce Department data, which represented about one-third of all of the material generated in the country for the year. While the United States freely sells its scrap offshore, 26 foreign governments have imposed scrap barriers. Russia, the latest country to initiate such action, has now restricted exports through two ports, Anderson noted. "These measures could deny the U.S. and other World Trade Organization (WTO) members the benefits of commitments that Russia has made in connection with its accession to the WTO," he said at the meeting, arranged by Rep. Tim Murphy (R., Pa.) to hear how policymakers can help support the steel industry. "Pervasive foreign government controls have distorted world markets for both steel and raw materials that are used in steelmaking. Governments that provide subsidized investment and control the movement of raw materials through trade barriers directly violate WTO agreements," Anderson added. SDI owns OmniSource Corp., the Fort Wayne, Ind.-based producer's scrap arm. Anderson also recommended that lawmakers step up their investment in infrastructure improvements, which would require the use of steel. He expressed support for a proposed National Infrastructure Bank, an entity that could leverage hundreds of billions of dollars in private capital to make needed investments, calling the concept "an idea whose time has come."

### Steel Industry Good – Heg

#### The steel industry is key to US hegemony and economic primacy.

**AISI 4** [American Iron and Steel Institute, “A Strong U.S. Steel Industry: Critical to Protecting U.S. Infrastructure, Homeland Security and Economic Security,” 9-2-4, www.steel.org/AM/Template.cfm?Section=Trade2&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=18271]

"Steel is an important jobs issue; it is also an important national security issue. I am here to trumpet one of the great values of America. That's the enterprise of the American worker, the hardworking American citizens who make this economy go. And those are the steelworkers of America. I appreciate what you do for our country." President George W. Bush, August 26, 2001 The President and many other U.S. government leaders recognize that **steel and national security go hand in hand**. The North American Security and Prosperity Partnership (SPP), in the first Ministerial “Report to Leaders” (June 2005), identifies steel as a “strategic” industry. Given the tragic events of September 11, 2001 and the subsequent global war on terror, the importance of a strong and viable American steel industry to U.S. national infrastructure, homeland security and economic security cannot be overstated. It is vital to U.S. national economic security and to our homeland security that America does not become dangerously dependent on offshore sources of supply for: The steel that goes into our energy infrastructure such as petroleum refineries, oil and gas pipelines, storage tanks, electricity power generating plants, electric power transmission towers and utility distribution poles; The steel that goes into our transportation security infrastructure such as highways, bridges, railroads, mass transit systems, airports, seaports and navigation systems; The steel that goes into our health and public safety infrastructure such as dams and reservoirs, waste and sewage treatment facilities, the public water supply system and, increasingly, residential construction; The steel that goes into our commercial, industrial and institutional complexes such as manufacturing plants, schools, commercial buildings, chemical processing plants, hospitals, retail stores, hotels, houses of worship and government buildings. In the above context, this paper provides a summary and enhancement of a December 2001 report prepared by America’s steel-producing community, entitled “A Strong U.S. Steel Industry: Critical to National Defense and Economic Security.” It is submitted here in connection with the revised draft National Infrastructure Protection Plan (NIPP). This paper covers: the role played by steel in all its forms in homeland security and economic security; the nation’s increased need for steel to bolster our homeland security and economic security; and the role that domestically produced steel must play to meet our overall security objectives. In the wake of September 11, we are justifiably concerned about the security of the physical underpinnings of our society, especially its essential infrastructure. Virtually all elements of this infrastructure -- energy, transportation, health, public safety and buildings -- are dependent upon steel for their construction and security. The importance of a strong and viable domestic steel industry to U.S. national economic security and to our homeland security is clear. The September 11 attacks on the United States illustrate that (1) steel will be needed to “harden” existing U.S. infrastructure and installations and (2) a strong and viable domestic steel industry will be needed to provide immediate steel deliveries when and where required. We need only consider the potential difficulties that the U.S. would face in defending, maintaining and rebuilding vital infrastructure in an environment where our nation is largely dependent upon offshore sources for steel. If the U.S. were to become even more dangerously dependent upon offshore sources of steel, we would experience sharply reduced security preparedness in the face of: Highly variable, and certainly higher, costs; Uncertain supply, impacted by unsettled foreign economies; Quality, design and performance problems; Inventory problems, long lead times and extended construction schedules. In this submission, we will examine U.S. infrastructure, segment by segment, all of which are highly steel-intensive. We will cite specific examples of our infrastructure need, the importance of steel as a material to this need and the importance of a strong and viable domestic steel industry to meet this need. Even prior to September 11, the American Society of Civil Engineers reported that $1.3 trillion would be needed through 2005 alone for major infrastructure improvements in The United States. The situation has likely worsened since publication of the figures below. According to authoritative government and consuming industry studies: 25 percent of U.S. bridges are currently either structural deficient or obsolete, so roughly 150,000 of our nation’s bridges will need to be modernized and rebuilt; 27 percent of America’s highways are judged to be poor-to-mediocre, so more than a quarter of the U.S. highway system will need to be rebuilt and upgraded; 21 percent of U.S. rail track is rated as “less than good,” so more than a fifth of our nation’s railway system will need to be better maintained or rebuilt; 30 percent of U.S. airport runways are classified as “needing repair,” so nearly a third of our nation’s airport runways will require upgrading. Our country depends upon a healthy American steel industry to meet these and other growing U.S. demands for steel-intensive infrastructure. Engineers and contractors on sophisticated infrastructure projects require an uninterrupted supply of quality steel that they can trust to meet the performance characteristics of their project’s design, delivered on time and at a competitive cost. U.S. national economic security requires a strong and viable domestic steel industry to meet all these criteria on a consistent plate steel in wide and very heavy gauges. Prompt and effective maintenance and restoration of pipelines are vital to our national energy security infrastructure and to our national economy Electric power generation is an engine for our economy. Steel is not only present in the structures, but in the huge generators, which use large quantities of sophisticated electrical lamination steel sheet, and in the boilers, pressure vessels and pipe that is needed to produce basis.

#### US steel industry key to national defense- missiles, Navy, Armor, airplanes, and artillery

**American Iron and steel institute, 7,** American iron and steel institute, specialty steel industry of North America, steel manufacturers association, and united steelworkers (“STEEL AND THE NATIONAL DEFENSE” Jan. 2007)//AKramer

Introduction This analysis presented by the U.S. steel industry addresses the importance of domestically produced steel to our nation’s overall national defense objectives and the increased need for steel to bolster our economic and military security. The President and other U.S. government leaders have recognized repeatedly the critical interdependence of steel and national security. The American steel industry and the thousands of skilled men and women who comprise its workforce produce high quality, cost-competitive steel products for military use in applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, armor plate for tanks and field artillery pieces, as well as every major military aircraft in production today. These critical applications require consistent, high quality on-shore supply sources. While leading-edge defense applications represent only a small portion of overall domestic sales of steel products, defense-related materials are produced on the same equipment, using some of the same technology, and are developed by the same engineers who support the larger commercial businesses of steel companies in the U.S.

#### Steel is key to military power

**American Iron and steel institute, 7,** American iron and steel institute, specialty steel industry of North America, steel manufacturers association, and united steelworkers (“STEEL AND THE NATIONAL DEFENSE” Jan. 2007) //AKramer

The U.S. carbon/alloy and specialty steel industries are vital partners to American defense contractors and to the DOD. Domestic and specialty metals are found in virtually every military platform. Whether it is missiles, jet aircraft, submarines, helicopters, Humvees® or munitions, American-made steels and specialty metals are crucial components of U.S. military strength. A few examples follow: 1. The Joint Strike fighter F135 engine, the gears, bearings, and the body itself, will use high performance specialty steels and superalloys produced by U.S. specialty steel companies. 2. Land based vehicles such as the Bradley Fighting Vehicle, Abrams Tank, and the family of Light Armored Vehicles use significant tonnage of steel plate per vehicle. 3. Steel plate is used in the bodies and propulsion systems of the naval fleet. 4. The control cables on virtually all military aircraft, including fighter jets and military transport planes, are produced from steel wire rope. Numerous additional examples illustrating how steel and specialty metals directly support the U.S. defense industrial base are provided in Appendices 1 and 2. These materials are an integral part of many diversified military applications and, as such, are in a continuing state of technological development. Steel’s importance to the military must also be looked at in a broader context to include both direct and indirect steel shipments to the military infrastructure that are needed to support our defense efforts, both at home and overseas -- e.g., all of the steel that goes into the rails, rail cars, ground vehicles, tanks, ships, military barracks, fences and bases, which are not classified as shipments to ordinance, aircraft, shipbuilding or other military uses. The September 11 attacks on the United States made it clear that (1) steel will be needed to “harden” existing U.S. infrastructure and installations and (2) a strong and viable domestic steel industry will be needed to provide immediate steel deliveries when and where required. Consider the potential difficulties the U.S. would face in defending, maintaining and rebuilding infrastructure in an environment where our nation is largely dependent upon foreign steel. By 4 becoming even more dangerously dependent upon offshore sources of steel, the United States would experience sharply reduced security preparedness in the face of: • Highly variable, and certainly higher, costs; • Uncertain supply, impacted by unsettled foreign economies and politics; • Quality, design and performance problems; • Inventory problems, long lead times and extended construction schedules.

#### US steel industry key to economic growth, stronger infrastructure, and aspects of homeland security

American Iron and steel institute, 7, american iron and steel institute, specialty steel industry of north america, steel manufacturers association, and united steelworkers (“STEEL AND THE NATIONAL DEFENSE” Jan. 2007)//AKramer

The steel industry in the United States employs about 160,000 skilled, efficient workers who make over $60 billion worth of high quality carbon, alloy and specialty steel products annually, using state-of-the-art equipment and technology to produce flat and long products. Independent producers make pipe and tube products, wire and other products. In addition to the many direct applications of steel in individual weapons systems, steel is critical to the nation’s infrastructure. As described in an April 2005 report entitled “The Transformation of the North American Steel Industry: Drivers, Prospects and Vulnerabilities” (by Professor Timothy J. Considine of Pennsylvania State University), a restructured and globally competitive “New American steel industry” today plays a key strategic role in developing high quality, more durable manufactured goods and stronger, longer-lasting infrastructure. As the Cuomo Commission on Trade and Competitiveness stated in its 1998 report, "industries are interdependent and a broad base of industrial activity is necessary for a healthy economy." The U.S. steel industry is an important source for employment and tax revenues for local and regional economies. In the United States, for every one job in the steel industry, seven additional jobs are created in other economic sectors, such as raw materials, transportation, computers and related technical services. These interrelationships demonstrate that the steel industry maintains a key role in economic development. In particular, steel remains integral to the manufacturing sector. A strong domestic steel industry is vital to ensuring a sound manufacturing base. In 2005, the world consumed more than 1 billion tons of steel. This extraordinarily wide use of steel reflects its critical role in nearly all aspects of manufacturing. A financially strong, technologically-advanced, and environmentally-sustainable steel industry in the United States is essential to serving the material -- and homeland security -- needs of American society in the 21st century. Besides the direct environmental benefits from improving the energy and material efficiency of U.S. manufacturing, higher quality steels generate a wide array of other benefits throughout our society. New steels and steel applications are providing more durable and hazard-resistant structures. Light weight, high strength steels -- which are gaining increasing acceptance in automotive applications -- are achieving more fuel-efficient vehicles while improving passenger 3 safety. Likewise, new armor plated and alloyed steels can play an increasingly important role in serving our nation’s growing homeland security needs.

#### Steel is used in every aspect of National Defense and key to Transportation infrastructure security

American Iron and steel institute, 7, american iron and steel institute, specialty steel industry of north america, steel manufacturers association, and united steelworkers (“STEEL AND THE NATIONAL DEFENSE” Jan. 2007)//AKramer

A strong and viable domestic steel industry is critical to America’s national defense, national economic security and homeland security. Virtually every military platform is dependent on U.S- produced steels and specialty metals. .. The U.S. steel industry’s ability to supply our defense establishment will depend on the steel industry’s continued ability to compete in its commercial markets and maintain a domestic manufacturing presence. .. Announced global steel capacity increases in China, India and other countries are enormous; they are far in excess of projected world steel demand growth; and much of this announced growth in foreign steel capacity is attributable to foreign government support and other types of aid. The U.S. government must call upon other governments to exercise restraint and refrain from subsidizing the growth of capacity that will jeopardize our commercial markets -- and thereby undermine the industry’s ability to supply the smaller defense market. The U.S. government must also ensure that the trade policies of foreign competitors are consistent with international rules -- thereby permitting domestic producers to compete on the basis of genuine comparative advantage. .. The U.S. government must adopt policies that encourage continued investment in domestic manufacturing. Otherwise, the research and development that is critical to the development of strategic metals will follow our production capabilities offshore. This would seriously compromise military preparedness and force the U.S. military to become more dependent upon foreign sources of supply. .. The Chinese government’s support of its steel industry provides an artificial advantage in international competition. If left unchallenged, this support will result in the transfer of significant U.S. manufacturing capability to China. 10 .. Steel the material -- and a strong and viable U.S. steel industry -- remain more essential than ever to our nation’s (1) energy security infrastructure; (2) transportation security infrastructure; (3) health and public safety; and (4) commercial, industrial and institutional buildings.

#### US Steel industry key to transportation infrastructure, homeland security, and economic security

American Iron and steel institute, 7, american iron and steel institute, specialty steel industry of north america, steel manufacturers association, and united steelworkers (“STEEL AND THE NATIONAL DEFENSE” Jan. 2007)//AKramer

The President and many other U.S. government leaders recognize that steel and national security go hand in hand. The North American Security and Prosperity Partnership (SPP), in the first Ministerial “Report to Leaders” (June 2005), identifies steel as a “strategic” industry. Given the tragic events of September 11, 2001 and the subsequent global war on terror, the importance of a strong and viable American steel industry to U.S. national infrastructure, homeland security and economic security cannot be overstated. It is vital to U.S. national economic security and to our homeland security that America does not become dangerously dependent on offshore sources of supply for: 􀂉 The steel that goes into our energy infrastructure such as petroleum refineries, oil and gas pipelines, storage tanks, electricity power generating plants, electric power transmission towers and utility distribution poles; 􀂉 The steel that goes into our transportation security infrastructure such as highways, bridges, railroads, mass transit systems, airports, seaports and navigation systems; 􀂉 The steel that goes into our health and public safety infrastructure such as dams and reservoirs, waste and sewage treatment facilities, the public water supply system and, increasingly, residential construction; 􀂉 The steel that goes into our commercial, industrial and institutional complexes such as manufacturing plants, schools, commercial buildings, chemical processing plants, hospitals, retail stores, hotels, houses of worship and government buildings. In the above context, this paper provides a summary and enhancement of a December 2001 report prepared by America’s steel-producing community, entitled “A Strong U.S. Steel Industry: Critical to National Defense and Economic Security.” It is submitted here in 2 connection with the revised draft National Infrastructure Protection Plan (NIPP). This paper covers: the role played by steel in all its forms in homeland security and economic security; the nation’s increased need for steel to bolster our homeland security and economic security; and the role that domestically produced steel must play to meet our overall security objectives.

### Steel Industry Good – Economy

#### The steel industry benefits and supports all sectors of the economy

Reuters, 12 – citing Timothy J. Considine, Ph.D. and Professor of Energy Economics at the University of Wyoming (Reuters, “America's Steel Industry is Leading Manufacturing Out of the Recession”, Reuters, 3/20/12, [http://www.reuters.com/article/2012/03/20/idUS181243+20-Mar-2012+PRN20120320](http://www.reuters.com/article/2012/03/20/idUS181243%2B20-Mar-2012%2BPRN20120320) | AK)

WASHINGTON, March 20, 2012 /PRNewswire-USNewswire/ -- A just-released report by Timothy J. Considine, professor of energy economics, University of Wyoming, reveals that the American steel industry is playing a significant role in leading manufacturing's post-recession resurgence primarily because it is highly interrelated with many other sectors of the economy. In his analysis titled, "Economic Impacts of the American Steel Industry," Dr. Considine notes that, "Every one job in the U.S. steel industry supports seven jobs in the U.S. economy, reflecting its ripple effect on employment." For 2011, the report states, the American steel industry directly employed 150,700 and given the multiplier effect, supported more than 1,022,009 jobs. In his report, Dr. Considine points out that the significant economic impact of the industry is based on the fact that steel is the most prevalent material in the economy, and the steel industry purchases a wide variety of inputs from other industries that create a favorable ripple effect. "This is one reason why so many countries around the world welcome investments that establish steel mills, because they stimulate industrial supply chains," he states. These indirect impacts support jobs in industries supplying the steel industry with inputs of energy, materials and services, examples of which are identified in the report. A third and final set of economic impacts arise from the stimulus that additional labor and capital income provides for households to spend on goods and services, the report explains. "These so-called induced impacts together with the direct and indirect impacts constitute the total economic impact of the industry," the report states. "Thus, for every dollar increase in sales for iron and steel mills and ferroalloy industries, total output in the U.S. economy increases by $2.66." Based on the estimated 2011 direct steel sector employment of 150,700, the Considine report states that the steel sector supported 1,022,099 jobs in the U.S. economy, contributed over $101 billion in value added and $246 billion in gross output. Based on tax multipliers utilized in the analysis, during 2011 the steel sector generated nearly $23 billion in local, state and federal taxes. Dr. Considine's analysis was commissioned by the American Iron and Steel Institute (AISI) to provide an updated look at the American steel industry's overall impact on the U.S. economy. In his study, Dr. Considine employed the IMPLAN system developed by MIG, Inc., one of the most widely used and highly regarded systems for economic impact analysis. The report describes the industry's purchases of a highly diverse range of products and services, thus supporting hundreds of thousands of jobs along the supply chain. For example, in 2010 the steel industry purchased more than $20 billion of materials produced in other industries, $8 billion of machinery, $4.4 billion from wholesale and retail trade sectors and more than $4 billion of transportation services. It also generated $12.4 billion in labor income.

**Steel key to jobs and is leading us out of the recession**

Ngai, 4/11, Senior writer for Metal Bulletin (Catherine, “Surma lays out key policy priorities for AISI”, Metal Bulletin, 4/11/12, Lexis Nexis)//AKramer

The US steel industry needs less-burdensome government regulations, affordable energy, adequate investments in in-frastructure and strong enforcement of international trade regulations to ensure growth moving forward, according to American Iron and Steel Institute chairman John P. Surma. "The American steel industry is leading the economy out of the recession. The rationale behind that is that steel con-tinues to be the basis, backbone and essential building block of the economy," Surma said during a media conference call highlighting AISI policy objectives for 2012. "For every job formed in the steel industry, seven additional jobs are formed in other economic sectors." Surma, who is chairman and chief executive officer of Pittsburgh-based U.S. Steel Corp., spoke with urgency of the need to encourage growth in U.S. manufacturing. One area of discussion was the importance of passing a multiyear infrastructure bill, which would help stimulate steel demand and allow U.S. companies to be competitive internationally. "Our crumbling infrastructure system is a top national priority," he said. "It's essential to be able to do business effi-ciently within our own borders." Last month, Congress passed a last-minute 90-day short-term infrastructure extension, the ninth of its kind, in efforts to continue funding the nation's highways, surface transportation and bridges. Surma added that many of the new and aggressive regulations proposed by the Environment Protection Agency (EPA) have been "counterproductive" for the steel industry and increased costs with no true benefit. Strict trade enforcements, including domestic trade laws and cases brought by the U.S. Trade Representative at the World Trade Organization (WTO), also must be maintained to ensure fair competition. "China employs certain protectionist policies . . . (such as) undervaluing its currency by as much as 30 percent. We need to maintain strength in our trade remedy laws to ensure well-paying jobs, critical materials for our national defense and high-value exports," he said. "We want our nation's manufacturing sector to thrive and drive our economic recovery."

**US steel industry key to the economy and national defense**

Wood, 11, Senior Manager Research and Markets (Laura, “Research and Markets: 2011 Report Analyzing the US Steel Industry”, Reuters, 1/31/11, http://www.reuters.com/article/2011/02/01/idUS28030+01-Feb-2011+BW20110201)//AKramer

The steel industry is critical to the U.S. economy. Steel is the material of choice for many elements of construction, transportation, manufacturing, and a variety of consumer products. Traditionally valued for its strength, steel has also become the most recycled material, with two-thirds of U.S. steel now produced from scrap. The U.S. steel industry is a more than $50 billion enterprise, and additional downstream processing pushes the value closer to $75 billion. The industry accounts for nearly 10% of the global raw steel market, providing over 110 million net tons in 2006. Large quantities of low-cost imports have challenged the industry in recent years, but restructuring, downsizing, and widespread implementation of new technologies have led to vastly improved labor productivity, energy efficiency, and yield. As a result of industry consolidation, the number of steelmaking facilities has decreased significantly over the last few decades. As of 2006, around 85 companies were producing raw steel at almost 140 locations. The absolute number of integrated mills producing steel in basic oxygen furnaces has always been relatively small and is currently at around 20. The highest geographic concentration of mills is in the Great Lakes region, including Indiana, Illinois, Ohio, Pennsylvania, Michigan, and New York. Approximately 80% of US steelmaking capacity is in these states. The industry employs more than 100,000 people nationwide. In the United States, two methods are used to produce steel: the ore based, or integrated process, and the scrap based, or electric arc furnace process. Two different approaches are used to prepare semifinished billet: the integrated process, which uses a blast furnace, and the minimill, which uses a direct electric arc furnace. Once steel is in the semifinished state, further processing is required in both the minimill and the integrated steel-making process. The manufacturing process of steel uses a complex series of capital-intensive unit processes to produce value-added, high-quality steel. Annual production of an integrated steel mill is three to five million metric tons. The integrated mill represents several billion dollars of capital investment, which has typically been funded over several generations. Only 21 integrated steel mills remain in operation and are located in the Great Lakes region near sources of iron ore, coal, and water. Aruvian's R'search focuses on this highly lucrative industry, bringing you - Analyzing the US Steel & Steel Mill Products Market. The report is a complete guide to all the recent developments going on in the industry, along with an in-depth analysis on market statistics, market structure, competition in the industry, where the US Steel Industry stands on a global scenario, and much more. Sections focusing on the value chain analysis of the industry, the steel crisis of 1998, a comparison of US, Japanese and South Korean steel companies, and the importance of the US steel industry to US national defense, adds a different perspective to this report as compared to the many others available today. Where the US Steel Mill Products Market stands on a global scenario is an added feature in this report. The influence of the US Steel Industry and the US Steel Mill Products Industry on other industries in the country is yet another added boost to the potential of this report for investors and researchers alike!

**National defense steel key to the economy-distributes the spending and jobs**

American Iron and steel institute, 7, american iron and steel institute, specialty steel industry of north america, steel manufacturers association, and united steelworkers (“STEEL AND THE NATIONAL DEFENSE” Jan. 2007)//AKramer

Thus, the companies are not typical defense contractors who derive the majority of their sales and profits from their defense business. It is the overall financial health of U.S. steel producers, and not simply the profitability of their defense business, that is essential to their ability to be reliable defense suppliers. The domestic steel industry also believes that, over an extended period of time, the United States could lose much of its steel-related manufacturing base if U.S. steel consumers continue to move production offshore due to market-distorting foreign government incentives and due to unsound economic policies at home. If we continue to lose our manufacturing base due to market distorting foreign competition or U.S. economic policies that are hostile to domestic investment and U.S.-based manufacturing, it could become impossible to produce here; the U.S. military would lose its principal source of strategic metals; and we as a nation would become dangerously dependent upon unreliable foreign sources of supply. The U.S. steel industry, consisting of all carbon and alloy steel producers and specialty metal producers, employs more than 160,000 highly skilled workers who produce over $60 billion of high quality steel and high-technology specialty alloy products annually. The industry includes state-of-the-art, large and small electric arc furnace producers (or “mini mills”) that make steel from recycled scrap, and highly efficient large “integrated” steel producers who make steel from virgin materials and recycled steel.3 Steel is produced in many forms, including flat-rolled and long products, carbon pipe and tube products, wire and other fabricated products. Carbon and alloy steel is used in all major end-use markets, including construction, automotive, machinery, appliance and containers. Specialty steels are high technology, high value materials, produced by small and medium-sized companies. These specialty metals are used in extreme environments that demand exceptional hardness, toughness, strength and resistance to heat, corrosion and abrasion, such as in the aerospace and chemical processing industries. All segments of the domestic steel industry contribute directly or indirectly to the defense industrial base.

#### Steel industry uniquely key to job production – multiplier effect

**AISI, 11** – American Iron and Steel Institute (“Profile of the American Iron and Steel Institute”, American Iron and Steel Institute, 2011, http://www.steel.org/~/media/Files/AISI/About%20AISI/Profile%20Brochure%20F-singles\_CX.ashx)//RM

For every one of the steel industry’s 135,000 direct jobs, the steel sector generates seven jobs in upstream and downstream industries, adding an additional 945,000 jobs to the economy. Labor productivity has seen a fivefold increase since the early 1980s, going from an average of 10.1 man-hours per finished ton to an average of two man-hours per finished ton of steel in 2010. Many North American plants are producing a ton of finished steel in less than one man-hour. These achievements are only possible through a highly-skilled workforce. In that regard, member companies of the American Iron and Steel Institute are committed to continuous improvement in safety and health and to achieving an injury-free workplace.

### Steel Industry Good – Econ/Heg

#### The steel industry is key to the economy and hegemony.

Harley **Shaiken**, professor specializing on labor and the global economy at UC-Berkeley, March 22, **2002**, Detroit News, “Yes: Steel industry vital to healthy U.S. economy, national security,” http://www.detnews.com/2002/editorial/0203/25/a11-446451.htm

But because an advanced industrial economy needs a vibrant steel industry, not just a source of steel products, the U.S. steel industry needs some temporary resuscitation and long-term structural support to survive. More than 30 firms have gone bankrupt since 1998 -- and far more would likely have fallen over the edge without President George W. Bush's recent modest measures. The hard lesson of this debacle might well have been that it's easier to see an industry like steel implode than to rebuild it when it's needed. Why does America need a steel industry? Steel executives want to keep their companies afloat and the steelworkers union wants to preserve members' jobs. But beyond their immediate concerns, an important, long-term public interest is involved. First, steel provides critical linkages throughout manufacturing. A healthy steel industry can spur innovations in downstream industries such as autos. These industries would enjoy earlier access to new processes and products. U.S. steel firms, for example, are spearheading an international consortium on advanced vehicle concepts. It doesn't help that three of the largest U.S. firms involved are in bankruptcy. Second, steel remains an important source of well-paid, middle-class jobs. While more than 70,000 jobs are threatened at bankrupt steel producers, an additional 250,000 jobs at suppliers and firms dependent on steelworker spending are impacted, according to Professor Robert Blecker at American University. A collapsing steel industry cuts a wide swath of destruction through communities. Finally, a domestic industry provides more stable sources of supply, which is pivotal in a national security crisis. Steel is genuinely a strategic industry unless we are thinking about aluminum aircraft carriers and mahogany tanks.

#### Domestic steel key to US economy and heg

**AISI, 11** – American Iron and Steel Institute (“Profile of the American Iron and Steel Institute”, American Iron and Steel Institute, 2011, http://www.steel.org/~/media/Files/AISI/About%20AISI/Profile%20Brochure%20F-singles\_CX.ashx)//RM

It is vital to U.S. national economic security and to our homeland security that America does not become dangerously dependent on offshore sources of supply. Here are some examples of applications for domestic steel vital to America’s infrastructure: Energy infrastructure such as petroleum refineries, oil and gas pipelines, storage tanks, electricity power generating plants, electric power transmission towers and utility distribution poles; Transportation security infrastructure such as highways, bridges, railroads, mass transit systems, airports, seaports and navigation systems; 􀀩 Health and public safety infrastructure such as dams and reservoirs, waste and sewage treatment facilities, the public water supply system and, increasingly, residential construction; 􀀩 Commercial, industrial and institutional complexes such as manufacturing plants, schools, commercial buildings, chemical processing plants, hospitals, retail stores, hotels, houses of worship and government buildings. Military uses for steel are extensive. Thousands of skilled men and women of the American steel industry work to produce high-quality, cost-competitive products that are used by the military in various applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, armor plate for tanks and field artillery pieces, as well as every major military aircraft in production today. Some examples of steel use in defense applications are: 􀀩 The USS New York was built with 24 tons of scrap steel reclaimed and recycled from the World Trade Center. 􀀩 The USS George H.W. Bush, an aircraft carrier named after the 41st President, contains 47,000 tons of structural steel and serves as home to 6,000 Navy personnel. 􀀩 Steel is a strategic material needed to strengthen existing U.S. infrastructure and installations. All segments of the domestic steel industry contribute directly or indirectly to the defense industrial base. Whether it is missiles, jet aircraft, submarines, helicopters, Humvees® or munitions, American-made steels and specialty metals are crucial components of U.S. military strength. Steel plate is used in the bodies and propulsion systems of the naval fleet. The control cables on virtually all military aircraft, including fighter jets and military transport planes, are produced from steel wire rope. In addition, land-based vehicles such as the Bradley Fighting Vehicle, Abrams Tank and mine-resistant ambush-protected (MRAP) vehicles use significant amounts of steel.

#### Domestic steel key to US economy and heg

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It is vital to U.S. national economic security and to our homeland security that America does not become dangerously dependent on offshore sources of supply. Here are some examples of applications for domestic steel vital to America’s infrastructure: Energy infrastructure such as petroleum refineries, oil and gas pipelines, storage tanks, electricity power generating plants, electric power transmission towers and utility distribution poles; Transportation security infrastructure such as highways, bridges, railroads, mass transit systems, airports, seaports and navigation systems; 􀀩 Health and public safety infrastructure such as dams and reservoirs, waste and sewage treatment facilities, the public water supply system and, increasingly, residential construction; 􀀩 Commercial, industrial and institutional complexes such as manufacturing plants, schools, commercial buildings, chemical processing plants, hospitals, retail stores, hotels, houses of worship and government buildings. Military uses for steel are extensive. Thousands of skilled men and women of the American steel industry work to produce high-quality, cost-competitive products that are used by the military in various applications ranging from aircraft carriers and nuclear submarines to Patriot and Stinger missiles, armor plate for tanks and field artillery pieces, as well as every major military aircraft in production today. Some examples of steel use in defense applications are: 􀀩 The USS New York was built with 24 tons of scrap steel reclaimed and recycled from the World Trade Center. 􀀩 The USS George H.W. Bush, an aircraft carrier named after the 41st President, contains 47,000 tons of structural steel and serves as home to 6,000 Navy personnel. 􀀩 Steel is a strategic material needed to strengthen existing U.S. infrastructure and installations. All segments of the domestic steel industry contribute directly or indirectly to the defense industrial base. Whether it is missiles, jet aircraft, submarines, helicopters, Humvees® or munitions, American-made steels and specialty metals are crucial components of U.S. military strength. Steel plate is used in the bodies and propulsion systems of the naval fleet. The control cables on virtually all military aircraft, including fighter jets and military transport planes, are produced from steel wire rope. In addition, land-based vehicles such as the Bradley Fighting Vehicle, Abrams Tank and mine-resistant ambush-protected (MRAP) vehicles use significant amounts of steel.

## Unions Good

#### Organized workers are key to jobs and economic growth

Payne, 9 -- associate professor at the University of Oregon’s Labor Education and Research Center (Michael, "Unionization: A PRIVATE SECTOR SOLUTION TO THE ECONOMIC CRISIS", Spring) // NK

Why can't American workers make a decent living even when the companies they're working for are pulling in healthy profits? There is more than one cause, of course, but the single biggest cause is the decline of unions. If you chart the growth in income inequality and the stagnation of real wages over the past thirty years, it follows almost exactly the decline in the percentage of Americans with union representation. And this correlation makes obvious sense: without the pressure of collective action, there is little reason for a company to share its wealth. Indeed, as the labor market has gotten worse over the past thirty years, employers no longer need fear the loss of talented people to competitors. In the non-college-educated, nonprofessional labor market - that is, the job market occupied by two-thirds of Americans -everyone is afraid to make any but the most minimal demands of their employer. Simply put, outside the shrinking share of workplaces where employees have unions, workers have virtually no means of guaranteeing that the rise of corporate boats will lift them as well.

As we look for any possible instrument that might restore the broad American middle class, there is nothing more important than enabling more employees to bargain collectively with their employers. Moreover,unionization is the perfect private sector tool to accomplish this mission. It is the opposite of the top-down, government-mandated standards so disliked by economists. It is the opposite of onesize-fits-all decrees. This is not the Department of Labor dictating what wages must be for workers in particular occupations. Economists typically decry such efforts by noting that it is impossible for central planners to take into account the differences between one worker and another, between small and large firms, or among the firms' market strategies, and that the inevitable result of one-size-fits-all mandates is to crush many businesses.

Unionization is the opposite of all this. By simply giving employees the ability to negotiate terms of employment with their employers, unionization offers a supple, sophisticated, and infinitely variable tool for finding the level of compensation at which both can prosper. Union negotiations are perfectly suited to improve the workers' standard of living while leaving the firm profitable and competitive.

Although business lobbies frequently raise the specter of unions' driving employers out of business, there is no empirical basis for this fear - neither in the auto industry nor anywhere else. Nor is there any logic to it. No one is more concerned with the long-term viability of a company than the people who depend on it for their livelihood. In the worst-case scenario, if a company goes out of business, its owners are generally okay; they've lost money, but still have their homes, their cars, their health insurance, and money for their kids' education. It is the employees whose lives are devastated. The notion that employees would insist on terms that force their employer out of business is ludicrous. Nor is it legally tenable. Federal labor law provides that, if an employer cannot afford what employees are proposing, the company must open its books and show the financial record proving that the union's proposals are unaffordable. In times of recession, this is not an infrequent occurrence. There is not a single known case in which a union, after being shown that its proposals are not affordable, proceeded to strike over those demands.

We have already seen that union organizing tends to concentrate exactly where it makes most sense for the nation's economy. Over the past twenty years, organizing has been increasingly focused in industries that share two attributes: they are sufficiently profitable to pay decent wages and benefits; and they can't be moved abroad. Construction, health care, transportation, the service industries, and parts of manufacturing that for various reasons must remain in the country - these are the obvious places to concentrate our hopes for a revival of the American job market. And in all of them, the single most important factor in determining whether the jobs they provide can support a family at a minimally decent standard of living is the ability of employees to represent themselves in negotiating with their employer.

#### Unionization improves the efficiency of the economic system

Freeman and Medoff, 84 -- \*professor of economics at Harvard University and co-director of the Labor and Worklife Program at Harvard Law \*\*professor of labor and industry at Harvard University (Richard and James, "What Do Unions Do?", Chapter 1, [www.uschinalabor.org/docs/What%20Do%20Unions%20Do\_E.pdf](http://www.uschinalabor.org/docs/What%20Do%20Unions%20Do_E.pdf)) // NK

To answer these questions, we have studied a wide variety of data that distinguish between

union and nonunion establishments and between union and nonunion workers, and we have

interviewed representatives of management, labor officials, and industrial-relations experts.

Although additional study will certainly alter some of the specifics, we believe that the results

of our analysis provide a reasonably clear and accurate picture of what unions do—a picture

that stands in sharp contrast to the negative view that unions do little more than win monopoly

wage gains for their members.

Our most far-reaching conclusion is that, in addition to well-advertised effects on wages,

unions alter nearly every other measurable aspect of the operation of workplaces and

enterprises, from turnover to productivity to profitability to the composition of pay packages.

The behavior of workers and firms and the outcomes of their interactions differ substantially

between the organized and unorganized sectors. On balance, unionization appears to improve

rather than to harm the social and economic system. In terms of the three outcomes in table 1-1,

our analysis shows that unions are associated with greater efficiency in most settings, reduce

overall earnings inequality, and contribute to, rather than detract from, economic and political

freedom. This is not to deny the negative monopoly effects of unions. They exist. They are

undesirable. But they are not the only ways in which unions affect the society. Our analysis

indicates that, in fact, focusing on them leads to an exceedingly inaccurate representation of

what unions do. In the United States in the period we have studied, the voice/response face of

unions dominates the monopoly face, though we stress that an accurate portrait must show both

faces.

#### Unionized workers improve the industry

**Bronfenbrenner, 3** -- director of labor education research at the New York State School of Industrial and Labor Relations at Cornell University (Kate, "Declining unionization, rising inequality", May, Proquest) // NK

MM: How do unionized wages compare to those for non-unionized workers?

Bronfenbrenner: The union/non-union wage gap continues to be quite significant. According to the Economics Policy Institute, the union wage premium is more than 28 percent. In the current economic climate, the union/non-union compensation gap becomes even more significant and important, because when you combine wages with health and pension benefits, the union/non-union differential is extraordinary. The majority of unionized workplaces have health insurance. The majority of non-union workplaces do not have full health plans and pension plans, and there continue to be non-union workplaces that pay just above the minimum wage, or pay the minimum in the industry. Unionized workplaces continue to be the high end of each industry.

## Solvency Extensions

### Empirical Solvency

#### **Empirical solvency --- Europe and Korea**

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

As for the details of the bank’s operations and governance, there is a wealth of successful precedents, from the German Kreditanstalt fur Wiederafbau (KfW) in Europe, to the Korea Development Bank (KDB) and the Development Bank of Japan (DBJ) in Asia. The common features are government ownership, a conservative ratio of lending to capital, and a clear mandate to support long-term national economic priorities. It is important that the bank should function as a professional organization with political independence in its daily operations, in order to ensure that the projects would be rigorously appraised according to the needs for infrastructure they would fulfill and for their future profitability.

### Transportation Only NIB Solvency

#### A transportation-only infrastructure bank will fund big multi-state projects

Schulz, 10 (5/19/2010, John D., Contributing Editor, “Has the time come for a U.S. Infrastructure Bank?” <http://www.logisticsmgmt.com/article/has_the_time_come_for_a_u.s._infrastructure_bank/>, JMP)

Robert Poole, director of transportation policy at the Los Angeles-based Reason Foundation, a libertarian-leaning think tank, said the nation suffers from both insufficient and poorly targeted infrastructure investments. **“Multi-state projects are particularly hard to fund under the current system,”** Poole said. “Large, billion-dollar, multi-state, multi-modal projects would be particularly attractive to funding through infrastructure bank funding.”

But Poole is opposed to using general U.S. funds for transport projects. Rather, he said, they should be funded by user funds, not federal grants. All projects should be merit-based, which could be difficult in a town where all 538 members of Congress are used to bringing home some bacon to their districts and states. “There may be a niche market role for a narrow transportation-only infrastructure bank,” Poole said. “But a broader infrastructure bank may be too ambitious to try and achieve a multi-modal, grant-and-loan-based bank, which I think might fail,” he added.

### Increased Employment Key to Recovery

#### Boosting employment is key to reverse economic decline

Burritt, 6/8 (Chris, 6/8/2012, “CEOs Losing Optimism as Job Slowdown Imperils U.S. Growth,” <http://www.businessweek.com/news/2012-06-08/ceos-lose-their-optimism-as-job-slowdown-imperils-u-dot-s-dot-growth>, JMP)

U.S. chief executive officers are turning more pessimistic about a second-half recovery as rising unemployment and Europe’s debt turmoil threaten domestic growth prospects.

CEOs from General Motors Co. (GM) (GM) to Hewlett-Packard Co. (HPQ) (HPQ) to Manpower Inc. say they are concerned about the health of the U.S. economy. While economists predict a continuing expansion this year and next, executives see a mounting number of obstacles that could clip growth.

U.S. employers added the fewest number of workers to their payrolls in a year last month, while companies including Tiffany & Co. (TIF) (TIF) and mattress maker Tempur-Pedic International Inc. (TPX) (TPX) cut their full-year forecasts. European policy makers are also struggling to resolve a crisis that has tipped at least eight of the 17 euro-area economies into recession. The U.S. presidential election is another area of concern, CEOs said.

“There are so many uncertainties,” said Jeffrey Joerres, CEO of Manpower (MAN) (MAN), the Milwaukee-based provider of temporary workers. “If these uncertainties keep stacking up and none get resolved, we’ll see a hiring pause rather than the current slowdown.”

After a 1.7 percent expansion last year, U.S. gross domestic product may increase by 2.2 percent in 2012 and by 2.4 percent in 2013, the median of 70 economists surveyed from June 1 to June 5 shows. The estimates are down 0.1 percentage point from those issued last month.

No Better

CEOs see jobs as a key driver of growth, even as they keep a lid on their own spending and hiring. Supervalu Inc. (SVU) (SVU)’s Albertsons grocery store chain said this week it will cut as many as 2,500 jobs. Hewlett-Packard has announced the biggest round of job cuts out of any U.S. company this year, at 27,000, according to data compiled by Bloomberg.

“The economy seems to be just sort of bouncing along,” Hewlett-Packard CEO Meg Whitman said in an interview this week. “It doesn’t seem to be getting significantly better.”

Employment concerns, coupled with sinking housing prices, have made U.S. consumers reluctant to undertake big-ticket home renovations, said Lowe’s Cos. Chairman and CEO Robert Niblock. Lowe’s, the second-biggest U.S. home-improvement retailer after Home Depot Inc. (HD) (HD), is eliminating more than 500 corporate positions through voluntary buyouts this year after cutting 1,700 store management jobs in 2011.

‘Sufficiently Cautious’

“From a macroeconomics and jobs standpoint, we are trying to be sufficiently cautious in our outlook,” Niblock told reporters after the company’s annual shareholder meeting on June 1. “It’s always, ‘Well, the second half of the year or next year is going to be better.’”

That sentiment may be fading. Lowe’s reduced its full-year earnings (LOW) forecast last month and was joined this week by Tempur- Pedic, the mattress maker that plunged a record 49 percent after lowering profit and revenue predictions for 2012. Tiffany last month also cut its full-year profit and sales forecasts after revenue at its flagship store fell, hurt by cuts to Wall Street bonuses and fewer European tourists.

The Standard & Poor’s 500 Index has declined almost 7 percent from a four-year high on April 2.

The May jobs report, which showed the U.S. unemployment rate rose to 8.2 percent from 8.1 percent a month earlier, “cemented our point of view that this is a low-growth environment,” Carol Tome, chief financial officer of Home Depot, said in an interview on June 6.

General Motors CEO Dan Akerson said last month that he’s “guardedly optimistic” about the economy. GM, the largest U.S. automaker, led five of the six biggest car companies last week in reporting U.S. monthly sales gains that trailed analysts’ estimates as incentive offers failed to draw enough buyers.

‘It’s Fragile’

“It’s fragile,” Akerson said about the economy in a May 14 interview in New York. “When people have confidence that they’ll have a job and that their homes are safe and whatnot, they tend to spend more and that tends to drive demand.”

While last month’s unemployment rate has fallen from a peak of 10 percent in October 2009, consumers and companies are still restrained. Randall Stephenson, CEO of AT&T Inc. (T) (T), the largest U.S. phone company, said last month that telecommunications spending by large companies is focused on operating more efficiently, not expanding.

The real driver is businesses “hiring and putting people on payroll,” Stephenson said in a May 10 interview. “We’re still not seeing that.”

Bob Evans Farms Inc. said this week it would increase so- called value offerings at its namesake restaurant chain, which already sells 10 meals for less than $20 each.

“We’re hitting value hard and we don’t see that changing anytime soon,” CEO Steven Davis said on a June 6 conference call.

### Solves Funding Reauthorization

#### National will remove funding from the reauthorization cycle

Mele, 10 (1/1/2010, Jim, “Don’t bank on it,” <http://fleetowner.com/management/feature/dont-bank-on-it-mele-0101>, JMP)

So what is this idea that refuses to go away, yet attracts little support or attention beyond a few special interest policy groups? Without getting into the complex Federal budgetary processes, a national infrastructure bank, or NIB among the policy wonks, would be a development bank that would issue bonds and use the proceeds to fund major infrastructure projects.

In general terms, creation of a NIB would have two major advantages. First, it would remove Federal infrastructure funding from the six-year reauthorization cycle which is causing so many delays and problems right now. Also, moving those investment decisions outside the Congressional authorization process would eliminate the hodgepodge of pork-barrel projects larded into reauthorization bills needed to attract votes, but adding little to national transportation efficiency. Instead, a NIB could fund projects based on overall merit and bring accountability to infrastructure investment.

Today, the Federal government collects fuel taxes to fund highway and other infrastructure projects, but it actually has little control over those projects. More than three-quarters of those funds are distributed as grants to states or local governments. Yet the Federal government has little direct control over the projects funded or how they might fit into national goals such as congestion reduction. Worse, the current highway funding mechanism actually discourages preventive maintenance. That money can only be used for major maintenance projects, in effect giving states an incentive to ignore preventive maintenance until the situation deteriorates enough to qualify for Federal funds.

### XT: NIB => Infrastructure Investment

**\*\*\*also high-speed rail solvency card**

#### Bank will raise hundreds of billions to finance infrastructure and boost competitiveness

Rohatyn, 10 --- special adviser to the chairman and CEO of Lazard Frères & Co. LLC (9/15/2010, Felix G., “The Case for an Infrastructure Bank; We need projects that meet national economic objectives, not local political ones,” <http://online.wsj.com/article/SB10001424052748703376504575491643198373362.html>, JMP)

President Obama has proposed a program to renew and expand America's infrastructure. Central to the president's plan is the creation of a permanent, national infrastructure bank that could leverage private capital for projects of regional and national significance. Hopefully members of Congress will make jobs and the economy their priority and support its establishment.

A national infrastructure bank could begin to reverse federal policies that treat infrastructure as a way to give states and localities resources for projects that meet local political objectives rather than national economic ones. The bank would evaluate prospective infrastructure projects on consistent terms. It would be able to negotiate with state or local sponsors of a project what their cost shares should be. The bank also could help groups of states come together for regional projects such as high-speed rail and better freight management. Such consolidation would improve project selection.

The bank also could ensure that states and localities consider all other options—from wetlands preservation to implementing tolls—before structural options are funded. It would create an avenue for private investors to put risk capital into new projects and bless their involvement with the bank's own participation. In short, it would treat infrastructure like a long-term investment, not an expense.

The American Society of Civil Engineers periodically estimates the cost of bringing our infrastructure to an acceptable level—it now exceeds $2 trillion. This is a staggering sum, but the infrastructure bank could make strides to meet it by issuing its own bonds of up to 50 years maturity and, with a conservative gearing, could initially raise $200 billion to $300 billion and become self-financing over time.

The legislation that embodies the concept of an infrastructure bank already exists in a bill that Rep. Rosa DeLauro (D., Conn.) has introduced in the House and that Sen. Chris Dodd (D., Conn.) and former Republican Sen. Chuck Hagel from Nebraska have introduced in the Senate.

In addition, Pennsylvania Gov. Ed Rendell has encouraged the rebuilding of America through an infrastructure bank. As he points out, a functioning national infrastructure is not optional—it is necessary to our economic future, global competitiveness and ability to create millions of jobs over the long term.

A number of alternatives have been suggested, including the creation of state infrastructure banks. By investing significantly in infrastructure we would act in the tradition of American leaders whose bold programs shaped our progress. President Lincoln transformed the country by beginning a transcontinental railroad during a time of war. FDR's GI Bill allowed millions of Americans to attend college and become the source of our technological and intellectual power. President Eisenhower built the interstate highway system, creating millions of jobs and a suburban economy still basic to the U.S.

Renewing our country's infrastructure will have similar impact. The infrastructure bank is an idea whose time has come.

#### A national infrastructure bank will generate $500 billion in investments

Lemov, 12 (3/1/2012, Penelope, “A Bank for Infrastructure Funding; Legislation moving through Congress could help states and localities finance public works projects,” <http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html>, JMP)

The $5.25 billion Panama Canal expansion could be a gold mine for U.S. ports along the Gulf and the East Coast.. But first, they have a few upgrades to make if they expect to compete for the anticipated surge in trade traffic. So where will the money come from to ready these ports? And what about money to finance other major infrastructure needs? Michael Likosky, director of the Center on Law and Public Finance at New York University, sees a national infrastructure bank as one answer. As bipartisan legislation to create such a bank inches its way through Congress, I tuned into a briefing via telephone by Likosky, sponsored by RBC Capital Markets, on how such a bank might work. What follows is an edited transcript of his remarks.

How the bank will work: The bank starts with the initial capitalization of $10 billion, then moves to self-sufficiency, and does loans and loan guarantees in the sectors of water, transportation and energy. It is a multi-sector bank, designed to finance multi-sector projects so you can package water, transportation and energy together.

How the bank differs from the Transportation Infrastructure Finance and Innovation Act (TIFIA): The TIFIA program has generally been for large marquis projects. To date, it has been a 10- to 12-state program. The states that have needs for TIFIA loans generally are high population states that can sustain it. **The infrastructure bank has been conceived as a 50-state bank**, and so it has a much broader reach. It is going to be more about volume and less about doing a cluster of projects. That said, the two are complementary in that a TIFIA project can pick up support from the infrastructure bank at the same time. Including another federal agency or federal program in a TIFIA package makes the package more attractive to investors, particularly if a water or energy component gets added.

Like TIFIA, the state bank is for transportation only. The program's been around since the Clinton administration and has never taken off as a national program. That said, an expanded state infrastructure bank program could use national infrastructure bank programs to enhance its own financing.

The number of projects a national infrastructure bank could support: The estimates have been around $500 billion of deal flow [or, in other words, $500 billion in business or investment opportunities]. **That's a conservative estimate**, particularly at a time when there's a lot of uncertainty in Europe. **The U.S. is considered a jurisdiction of opportunity**. So we're likely to see an infrastructure bank leverage a lot more money than some of the estimates. When you provide a loan or a loan guarantee, and the risk assessment of the project is taken into consideration, the federal government's only going to withhold a certain amount of what it lends. So if it's a $340 million loan, that might only require withholding $34 million. With the export/import bank and international banks in the U.S., the experience has been that the amount withheld becomes smaller and smaller.

Prioritizing projects: A national infrastructure bank's purpose is to help increase state and local deal flow and private-sector deal flow. The national bank itself isn't going to be a place that has a list of priority projects. This is not a top-down institution. So what we end up with is our state and local governments beginning to move toward priority lists of projects. In many states this is happening; there is starting to be a priority list of what types of projects would be particular candidates for public-private partnerships. As the transportation bill has moved forward, we're getting a clearer idea of what gaps are going to be left in the marketplace where an infrastructure bank is going to become particularly useful.

A concrete example of a priority project that would be an infrastructure bank candidate is the expansion of the port in Spartanburg, S.C., so it can handle the larger Panama Canal ships. We're talking about a range of different sectors that are involved, both freight rail, intermodal freight rail and dredging the port, but we're also talking about other types of port build-up manufacturing. The idea is to ramp up manufacturing in the ports at the same time that the expansion happens. What the infrastructure bank would aim to do is increase the pie of available capital with the recognition that we have to achieve fairly high growth rates -- 6 percent -- in a fairly sustained way in order to handle the employment crisis. So in those areas where there's the greatest amount of economic growth possible, that's where the infrastructure bank comes in as especially useful.

Bank project financing vs. traditional tax-exempt project financing: I see them as enhancing the tax-exempt bond market by bringing in -- as the Build America Bonds did -- a new class of investors: pensions, sovereigns and insurers that don't always have the appetite or the tax profile for the tax-exempt. On another front, the bank is an enhancer of the tax-exempt bond market in that there's a slice of projects today that are more amenable to public-private partnerships or require a tax-exempt, private-activity bond enhancer or some sort of additional type of revenue source. For instance, in New York, Gov. Andrew Cuomo is talking about reinvesting in Buffalo. There's going to be a certain amount of tax-exempt bond usage to regrow Buffalo, but there's also going to be a movement to bring in other sources of financing. The tax-exempt bond market and the infrastructure bank will reinforce one another.

Facilitating public-private partnerships: The infrastructure bank is coming in to handle two main risks associated with public-private partnerships. [The main one] is closing risk. In the U.S. public-private partnership market today, it is very hard and very expensive to get to close with a project. What an infrastructure bank will do is decrease the likelihood of closure of a project because there will be an additional federal champion involved, additional federal underwriting and higher underwriting standards. The bank also has a best practices unit in it, so there'll be some technical assistance to state and local governments that often run into problems closing projects because there's not the capacity to assess bids. That's another aspect that the federal bank is meant to support.

#### Will boost long-term investment on infrastructure

Indiviglio, 10 --- associate editor at The Atlantic from 2009 through 2011 (9/15/2010, Daniel, “Would a National Infrastructure Bank Help?” [http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/#](http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/), JMP)

At this point, many people, including former Fed Chair Alan Greenspan, argue that the stimulus spending wasn't administered as effectively as it might have been. For such an enormous amount of spending, more jobs were expected to be created. And while some, including President Obama, have proposed more stimulus spending, any further expenditures must be more effective. The question is even less whether more infrastructure jobs might be good for the economy than whether the government can be trusted to administer the associated spending. Felix Rohatyn, special advisor to the CEO of Lazard Frères & Co. LLC suggests something that might help in a Wall Street Journal op-ed today: why not create a national infrastructure bank?

At first, this might sound like a wacky socialist concept -- a bank created to spend taxpayer money on infrastructure projects. But it's a pretty practical proposal. Its purpose would be to circumvent politics so that taxpayer money could be more effectively spent on projects, instead of squandered as it so often is by Congress. Here's how Rohatyn explains it:

 A national infrastructure bank could begin to reverse federal policies that treat infrastructure as a way to give states and localities resources for projects that meet local political objectives rather than national economic ones. The bank would evaluate prospective infrastructure projects on consistent terms. It would be able to negotiate with state or local sponsors of a project what their cost shares should be. The bank also could help groups of states come together for regional projects such as high-speed rail and better freight management. Such consolidation would improve project selection.

This is an important point. If Rep. Smithers of some state wants his vote contingent on his district getting a $125 million bridge to nowhere that will mostly pad the pockets of his biggest political supporters, then he often will get it. But if there was a bank in place to evaluate projects in terms of their economic effectiveness, then such pork barrel spending will be harder to get through.

A national infrastructure bank could change the way federal funds are spent on infrastructure. For example, instead of creating a $100 billion "infrastructure spending" package full of nonsense, Congress would provide $100 billion for the infrastructure bank to spend as its financial analysis dictates. It would evaluate the various projects that states say are necessary and pick those which would create the most jobs and do the most to strengthen the nation's infrastructure while controlling costs.

Rohatyn goes on:

 The bank also could ensure that states and localities consider all other options--from wetlands preservation to implementing tolls--before structural options are funded. It would create an avenue for private investors to put risk capital into new projects and bless their involvement with the bank's own participation. In short, **it would treat infrastructure like a long-term investment**, not an expense.

In other words, it might also help make even valuable infrastructure projects cost taxpayers less if there are ways for private investors to be involved. Of course, they will also care more about economic viability than the average politician would.

#### Bank will boost infrastructure investment

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

From time to time, collapsed bridges, failed dams, and ruptured water pipes remind us of the need for increased investment in the maintenance of U.S. infrastructure. Overall, we know that the condition of our infrastructure is generally declining, especially in metropolitan areas. There is also growing concern that the infrastructure that exists today is woefully obsolete, geared more for a prior generation than for the challenges of the 21st century.

The federal government spends about $65 billion each year on infrastructure—transportation, energy, water and environmental protection [1]. While the figure is not negligible, the investment in infrastructure is only 2.2 percent of total federal spending. More than three-quarters of this spending consists of transportation grants to state and local governments ($50.4 billion) [2].

While most of the attention has been on increasing funding for projects, there are also renewed calls to improve **the way the federal government invests in infrastructure**. Today, the federal government generally does not select projects on a merit basis, is biased against maintenance, and involves little long term planning. In this context, **there is interest in a new federal entity for funding and financing infrastructure projects through a national infrastructure bank**.

Mr. Chairman, I believe that while a national infrastructure bank is not a panacea, if appropriately designed and with sufficient political autonomy, it could improve both the efficiency and effectiveness of future federal infrastructure projects of national and regional importance [3].

Background

A national infrastructure bank (NIB) is a targeted mechanism of financing infrastructure. A development bank in essence, an NIB would have to balance the rate-of-return priorities of a bank with the policy goals of a federal agency. The creation of such a special financing entity for infrastructure has been discussed in policy circles for at least 20 years.

Across the Atlantic, the European Investment Bank (EIB) has been functioning successfully for the last 50 years, playing a major role in connecting the European Union across national borders. The EIB has nearly $300 billion in subscribed capital by all the 27 European Union member countries. In 2009, the EIB disbursed over $70 billion, mainly on transportation, energy and global loans [4]. While not trying to maximize profit, EIB functions as a bank, not as a grant-making mechanism. The EIB raises funds from capital markets and lends them at higher rates, keeping its operations financially sustainable. It offers debt instruments, such as loans and debt guarantees, and technical assistance.

While it may take different forms, NIB proposals in the U.S. generally envisage an entity that improves the federal investment process in infrastructure assets that meet some measure of significance **and accelerates the investments in such projects** [5]. The focus is on multi-jurisdictional or multi-modal projects with regional or national impact.

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Conclusion

A more competitive U.S. economy needs a better infrastructure system. In a time of limited resources, **improving the federal investment process should be a priority over finding ways to merely increase the amount of funding for infrastructure.**

If designed and implemented appropriately, a national infrastructure bank would be a targeted mechanism to deal with new federal infrastructure spending. An NIB would provide a better project selection process for neglected federal investment in infrastructure, such as capital projects across jurisdictions and state borders, but also there would be more rigorous evaluation of projects across different types of infrastructure.

Yet an NIB is not a silver bullet for dealing with infrastructure reform, either. It would not overhaul the current federal investment, but be limited only to new projects funded through its mechanism. In the end, an NIB should be thought of as a precision tool and not a blunt instrument.

### Infrastructure Investment => Construction Employment

#### A national bank will boost construction jobs and prevent economic decline

Callahan 7/9 – co-founder of the think tank Demos, a public policy group based in New York City, where he is currently a Senior Fellow. (David, “Put Hardhats to Work With New Infrastructure Spending”, Huffington Post, 7/9/2012, http://www.huffingtonpost.com/david-callahan/infrastructure-spending-construction-jobs\_b\_1654556.html, Callahan)

But there is an obvious way to mitigate sky high unemployment among construction workers, which is to put them to work on infrastructure projects. There is plenty to do on this front. A bipartisan study last year found that the United States needs to spend some $2 trillion on infrastructure over the next decade beyond what is now projected. That same study found that many of America's competitors are investing more heavily than we are in ways that will put us at a disadvantage. China, for instance, is building the most modern rail systems and airports in the world. With interest rates at a historic low, and a huge supply of surplus skilled labor, it's hard to imagine a better time than now for the U.S. to borrow a lot of money to strengthen its infrastructure. Unlike many forms of public spending, moreover, investing in infrastructure is one that enjoys strong support from leading business groups like the U.S. Chamber of Commerce. Business gets the link between infrastructure and economic growth. This should not be a polarizing issue. Of course, though, everything is polarizing today, thanks to the extreme rightward shift of the Republican Party and the influence of heartland Tea Partiers who don't know the first thing about how to be globally competitive. President Obama's American Jobs Act, introduced last September, included $85 billion for spending on infrastructure. The money would have not just gone for new roads and rails, but also to renovate and modernize public schools, which are famously dilapidated. And the Act would have capitalized a new National Infrastructure Bank to leverage billions more in private money. Conservatives ridiculed Obama's proposal and the legislation went nowhere. Without a change of course, then, we're looking at two disasters: deep long-term unemployment among construction workers and economic decline by the United States.

#### Infrastructure investment will boost construction employment

Laing, 6/1 (Keith, 6/1/2012, “Despite bleak jobs report, transportation sector sees gains,” <http://thehill.com/blogs/transportation-report/labor-employment/230459-amid-bleak-jobs-report-transportation-employment-rose-by-36000>, JMP)

The Associated General Contractors of America noted that the number of construction jobs had declined by 28,000 in May. They also argued Friday that Congress agreeing on a transportation bill would be helpful to their industry.

“Getting a highway and transit bill passed would certainly help counter any possible backslide in construction employment,” AGCA CEO Stephen Sandherr said in statement. “While the overall economy will need to be much stronger before private sector construction activity and employment begins to approach pre-recession levels, investments in infrastructure will certainly help put more construction workers back on the job.”

### Infrastructure Investment => Increased Jobs

#### Infrastructure spending creates tons of jobs

**Treasury Department 12** – along with the Council of Economic Advisers. (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, Department of the Treasury, March 23, 2012, <http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf>, Callahan)

Spending on infrastructure generates demand for products and services from a variety of industries. For example, road building not only requires construction workers, but also grading and paving equipment, gasoline or diesel to run the machines, a variety of smaller hand tools, raw inputs of cement, gravel, and asphalt, surveyors to map the site, engineers and site managers, and even accountants to keep track of costs. Data from the Commerce Department’s Bureau of Economic Analysis (BEA) provide insight into how a dollar’s worth of demand for some broad categories of spending is divided among the supplying industries. Analysis of data from the BEA 2010 annual input-output table and related data from the Bureau of Labor Statistics (BLS) on the composition of industry employment suggests that 61 percent of the jobs created by investing in infrastructure would be in the construction sector, 12 percent would be in the manufacturing sector, and 7 percent would be in retail trade, for a total of 80 percent in these three sectors. Using BLS data on the structure of occupations in those industries, and the distribution of wages for those occupations by industry, nearly 90 percent of the jobs in the three sectors most affected by infrastructure spending are middle-class jobs, defined as those between the 25th and 75th percentile in the national distribution of wages. Further analysis suggests that the jobs created by investing in infrastructure are not only middleclass jobs, but also are concentrated in occupations and industries that have been disproportionately affected by the recent economic downturn. Overall, the unemployment rate among those who would be put to work by additional investment in infrastructure has averaged approximately 13 percent over the past twelve months, more than one and one-half times the current national unemployment rate. One example of this can be found in Lincoln, Nebraska. Most people would never guess that an investment in improving the New York City transit system would create middle-class manufacturing jobs in Lincoln. However, that is exactly what happens every time New York’s MTA or Metro North buys a rail car made at the Kawasaki factory in Lincoln. This factory, Kawasaki USA’s largest manufacturing plant, employs over 1,000 workers. The plant was established in 1974 as a consumer products center and expanded in 2001 to build rail cars. The vast majority of new M-8 rail cars ordered by New York Transit’s Metro North System (340 out of 382) are made in this plant, meaning that most of the folks who commute from Connecticut to New York City by rail have ridden or will ride on a car made in this plant. 40 This is another example of the geographic diversity of benefits which comes from investing in infrastructure.

### XT: NIB => More Effective Infrastructure Projects

#### A national bank will produce better and more effective transportation projects

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Keeping recipients accountable. An NIB would have more control over the selection and execution of projects than the current broad transportation grants. It would be able to enforce its selection criteria, make sure that the projects are more in line with its objectives, and have oversight of the outcomes of the projects.

The new infrastructure entity should require repayment of principal and interest from applicants. This would bring more fiscal discipline and commitment from the recipients to the outcomes of the project.

The extensive use of loans by an NIB contributes to the distinction between a bank and another federal agency. The interest rates charged to the state and local recipients of NIB loans might be set to slowly repay the initial injections of federal capital, while still maintaining a sufficient capital base.

### AT: No Shovel Ready Projects

#### Shovel ready projects exist across the country

**Sledge, 11** (Matt, “Shovel-Ready Projects: They Exist, And We May Need Them For A Long Time,” September 30th, 2011, [http://www.huffingtonpost.com/2011/09/30/shovel-ready-projects\_n\_989362.html)//AS](http://www.huffingtonpost.com/2011/09/30/shovel-ready-projects_n_989362.html%29//AS)

NEW YORK -- As President Barack Obama pushes for his American Jobs Act, some [on the right](http://www.huffingtonpost.com/2011/09/22/brent-spence-bridge-shovel-ready-infrastructure_n_975895.html?ref=mostpopular) and [in the press](http://www.politico.com/news/stories/0911/64454.html) have claimed there are no "shovel-ready" projects in the United States available to receive federal funding. The state transportation departments who are on the front line of infrastructure spending, however, strenuously disagree. And some economists say we'll be enduring the downturn for so long that the question of whether the new jobs associated with the projects are created within the next 12 months, while an important political consideration, is almost irrelevant in economic terms. The president's bill contains $105 billion for road-building, school modernization and more. Republicans have argued the money that has been spent so far on infrastructure has been wasted. “Don’t forget, the president made the same promises when he was selling his first stimulus," Senate Minority Leader Mitch McConnell (R-Kentucky) said on the Senate floor. "Yet 2 1/2 years later what do we have to show for it?” And attaining Congress's approval for all that money wasn't made any easier when the president joked in June that sometimes during the stimulus "shovel-ready was not as shovel-ready as we expected." But states say they're ready to go. "We feel certain that we would have projects ready to go if we received additional funding," said Sally Oxenhandler, a spokesperson for the Missouri Department of Transportation. "We do have a five-year construction program that's a rolling program. We have quite a few projects in the hopper that we would be able to move up." Oxenhandler noted that when the American Recovery and Reinvestment Act was signed in 2009, her department went to start replacing a Depression-era bridge [the very same day](http://www.modot.org/firstinnation/). It's hard to find a state transportation department that says it couldn't put more money to use in 2012. That comes as no surprise to Jack Basso, Director of Program Finance and Management at the American Association of State Highway and Transportation Officials (AASHTO). In 2010, AASHTO surveyed its members on the size of their unfunded project backlogs and found that they could use almost $50 billion for highways alone (the Recovery Act put $27.5 billion more towards those big roads). "I bet the number's considerably bigger at this point," Basso said. "I'm quite confident that we haven't drained the swamp." Transportation authorities across the country rely on gas tax dollars to build highways and bridges, but the gas tax is not tied to inflation and hasn't been raised since 1993. So many states are struggling to pay for projects. As Basso explained it, for some projects in state transportation pipelines, it would only take 30-60 days for Federal Highway Administration approval and then another 30 days for states to put out bids. That's an ideal timeline. While some of the big-ticket projects -- the Hoover Dams of the infrastructure world -- might require [those much-dreaded environmental approvals](http://blog.american.com/2011/09/shovel-ready-jobs-do-exist-shovel-ready-bureaucrats-dont/), others have already received federal approval but are waiting on financing. Scott Magruder of the Nevada Department of Transportation said that with more money, his department could complete the Carson City Freeway and the first phase of the Boulder City Bypass, near Las Vegas. Both projects cost about $100 million each. "Those are ready to go, and unfunded, and the environmental process is complete," Magruder said. "The right of way's all purchased, the environmental's all done, it's just waiting on funding." Arizona is also waiting. "The Arizona Department of Transportation recently submitted to the Federal Highway Administration eight projects totaling $423,448,000 that are considered ready-to-construct," said Timothy Tait, an assistant communication director. "These projects include a new urban freeway in metro Phoenix, interstate highway expansion, rural highway enhancements and a bridge replacement." And there are plenty of other, smaller public works projects across the U.S. that could use a few extra dollars. "On Monday we're advertising for design firms to do design work on a 187 small bridges. Obviously, with more money we could do more of that. We have tremendous needs all across the state," said Nicole Meister, a spokesperson for the North Carolina Department of Transportation. "We have a lot of needs here," she noted. "Some projects yes, are big projects that require more environmental work. Others are small projects like small bridge replacements." "You do get into situations where we have projects ready to go but don't have funding yet," she added. Moody's Analytics [estimates](http://www.usnews.com/news/articles/2011/08/22/are-infrastructure-projects-the-answer-to-americas-jobs-problem) that for every $1 spent on infrastructure spending the government creates $1.59 in economic growth. But some of that multiplier effect may be diminished when [projects take too long to go through government approvals](http://www.usnews.com/news/articles/2011/08/22/are-infrastructure-projects-the-answer-to-americas-jobs-problem), according to US News and World Reports. Macroeconomic Advisors, another analysis firm, [estimates](http://macroadvisers.blogspot.com/2011/09/updated-american-jobs-act-greater-than.html) that the federal government would put out the infrastructure money relatively quickly: "2/5 of this money will be spent by the end of 2012, 2/3 of it by the end of 2013, and the rest over the next several years." The delay might not matter much, except to politicians looking ahead to re-election, if, as the Congressional Budget Office [estimates](http://www.cbo.gov/doc.cfm?index=12039), the country doesn't return to its "natural rate of unemployment" until 2016. "This is not a normal recession, [where] all of sudden we're gonna have a huge amount of stimulus and be back to full employment," said Ethan Pollack, a senior policy analyst at the Economic Policy Institute. "I dream of having that problem -- 'Oh no! Too many people are employed!' " "There is a balance between getting the money out quickly and getting the money out to good projects -- so there's a certain lag time," Pollack added. And the argument against more infrastructure funding, "basically rests on the assumption that we shouldn't be doing it if the economy is better," he noted. The president [claimed](http://dyn.politico.com/printstory.cfm?uuid=4B560AE8-0819-5D2E-D6E227091DB7DE5E) in his address on the American Jobs Act that it "answers the urgent need to create jobs right away." But he also added that Congress needed "to look beyond the immediate crisis and start building an economy that lasts into the future." The American Society of Civil Engineers [thinks](http://www.huffingtonpost.com/2011/07/27/transportation-infrastructure-cost_n_911207.html) the country needs to spend $2.2 trillion over the next five years to get our bridges, dams, pipes, railroads and levees in shape. Still, the amount of money proposed in the American Jobs Act for infrastructure spending -- some $105 billion -- sounds big, but even by the most optimistic estimates would only put a modest dent in our current, sky-high unemployment level. David Obey, the former Democratic chairman of the House Appropriations Committee, said "you cannot expect a jobs package to perform a miracle. All it can do is help around the edges." Factors beyond U.S. control, like the debt crisis in the Euro-zone, may determine more than infrastructure spending how fast we put people back to work. But the recession is "going to be with us a long time," Obey noted. "So we ought to do anything we can to tee these projects up. No matter what we do, it's better than doing nothing."

#### Delay will be only a few months at most --- empirical

Klein, 10 (Ezra, ‘Why does Obama keep telling reporters there are 'no shovel-ready projects'?,” Washington Post, October 19th, 2010, [http://voices.washingtonpost.com/ezra-klein/2010/10/why\_does\_president\_obama\_keep.html)//AS](http://voices.washingtonpost.com/ezra-klein/2010/10/why_does_president_obama_keep.html%29//AS)

Perhaps I should've written this post before [interviewing](http://voices.washingtonpost.com/ezra-klein/2010/10/bernstein_draft.html) Jared Bernstein, the vice president's chief economist, on the same subject. But if you read that interview closely, you'll see a White House that doesn't exactly know what to do with the president's comments. The administration doesn't think the stimulus failed. At the end of the day, the law met its spending targets. As promised, it dispensed with 70 percent of the funds within two years. Most of the remaining money will pay out when projects that are underway reach completion. Today, the White House [released a video](http://www.youtube.com/watch?v=QmybtPlga1U) in which Austan Goolsbee, the chairman of the Council of Economic Advisers, argues that the intervention saved the job market (though by looking only at private-sector jobs, he stacks the deck, as the public sector is where recent job losses have been concentrated). So why did the president [tell](http://www.nytimes.com/2010/10/17/magazine/17obama-t.html) Peter Baker -- and before him, [David Brooks](http://www.realclearpolitics.com/video/2010/10/16/brooks_obama_told_me_shovel-ready_jobs_dont_exist_last_year.html) -- that there are no "shovel-ready programs"? Those were three of the most important words used to [sell the program](http://www.washingtonpost.com/wp-dyn/content/article/2009/01/07/AR2009010703662_pf.html) -- and the president's decision to walk them back is giving plenty of ammunition to his enemies. And shovel-ready is not a controversial concept: It's what Rep. Pete Sessions, the Dallas conservative, called his city's rail project when he [wrote](http://www.publicintegrity.org/assets/pdf/TX_-_Sessions.pdf) Transportation Secretary Ray LaHood asking for some of the stimulus funding that he opposed. And Sessions is no isolated case: Over the past two years, the stimulus has funded more than 15,000 transportation projects. In total, it's funded more than 75,000 projects. Those efforts weren't ready for shovels the morning after the bill passed, but it didn't take more than a couple of months to break ground on many of them, and all of them hit within the stimulus's two-year target range. And even if the president was disappointed by the progress, why is he giving ammunition to the stimulus's critics only weeks before the midterm election? He couldn't have told Baker they'd conduct the interview Nov. 3? The big news on the stimulus going into November should've been this[report](http://www.publicintegrity.org/articles/entry/2532/) from the Center for Public Integrity pulling together the many, many letters Republican lawmakers sent asking the administration to use the stimulus to fund projects in their district and saying, forthrightly, that those projects would create jobs and improve the economy. Obama should be going around the country, setting up a podium at each of those projects and making clear just what it is the stimulus did, and just what it was that Republicans opposed. Instead, he's telling reporters that the foundational phrase of his sales pitch for the stimulus was a mistake, which implies to voters that the Republicans are right when they say the stimulus didn't work. File this one under "unforced errors," I guess.

#### Over 9,800 Shovel ready projects

**AASHTO, 10** (“AASHTO: States have 9,800 shovel-ready transportation projects worth $79 billion ready to go,” February 1st, 2010, Insidelane.com, [http://www.inside-lane.com/2010/02/01/aashto-states-have-9800-shovel-ready-transportation-projects-worth-79-billion-ready-to-go/)//AS](http://www.inside-lane.com/2010/02/01/aashto-states-have-9800-shovel-ready-transportation-projects-worth-79-billion-ready-to-go/%29//AS)

Today as states await action on a jobs bill, the list of ‘ready-to-go’ state infrastructure projects has surpassed the 9,800 mark. These projects, valued at more than $79 billion, will give state departments of transportation the resources necessary to put hundreds of thousands of people back to work, on projects that will improve travel and boost the economy. (Inside Lane editor’s note: The AASHTO list shows Colorado as having 100 such projects with a cumulative value of $1.4 billion.) In 2009, the transportation sector received just 6 percent of economic recovery funds, yet spending on state highway, bridge, transit, port, rail, and aviation projects has accounted so far for more than 24 percent of the jobs created. According to the House Transportation and Infrastructure Committee, at least 250,000 direct, on-projects jobs, as well as hundreds of thousands of indirect jobs, were the result of 7,900 highway and transit projects that have broken ground across the country. “Since we first released our survey back in December 2009, states have identified 300 additional ‘ready-to-go’ projects that can be approved for funding within 120 days,”ll said John Horsley, executive director of the American Association of State Highway and Transportation Officials (AASHTO). “States continue to turn recovery dollars into real jobs and paychecks.” In December, AASHTO officials were joined by Sen. Barbara Boxer (D-CA), chairman of the Senate Environment and Public Works Committee, House Transportation and Infrastructure Committee Chairman James Oberstar (D-MN), and House Subcommittee on Highways and Transit Chairman Peter DeFazio (D-OR) at a Capitol Hill news conference releasing the original state project survey. Since then, the House of Representatives has approved the Jobs for Main Street Act of 2010, which would provide $37 billion for transportation projects – $27.5 billion for highway infrastructure projects, and $8.4 billion for public transportation. Based upon the record demonstrated under the Recovery Act, such funding could potentially create or support 1.1 million jobs. “This survey illustrates the growing need for a significant investment in transportation infrastructure projects,” Horsley said. “The benefits are guaranteed and long lasting. Instead of the unemployment line, we’ll give hundreds of thousands of Americans the lifeline they need to stay in their homes, pay taxes, and rebuild our economy.”

### AT: Only Solves Long Term

#### This is a short term solution to the economy

Kondracke, 10 (9/23/2010, Morton M., Roll Call, “The American Dream Is Still Alive, but in Peril,” Factiva, JMP)

The median income of American families in 2009 was $49,777, below what it was in 1997.

The story of America is that, except during recessions, incomes rise. The median family income was $40,108 in 1967. It was $43,758 in 1977; $47,071 in 1987 and $49,309 in 1997. It got up to $52,338 in 1999. It's been falling back ever since.

Americans are an optimistic people and they have always had a right to be. They still are -- but less so.

A Pew Research Center poll this year found that 64 percent of Americans pronounced themselves optimistic about their family's life, 61 percent about America's future and 56 percent about the U.S. economy over the next 40 years. But those numbers are down from 81 percent, 70 percent and 64 percent in 1999.

Short-term attitudes are much more downbeat. A Gallup poll this month showed that 84 percent think we're still in a recession and 47 percent think it's not improving.

Instead of figuring out together what to do, politicians would rather blame each other and stick to their ideologies.

Democrats want more government-funded stimulus packages and continued tax cuts for the middle class even though the national debt is nearing 100 percent of GDP, the highest since World War II.

Republicans want to extend tax cuts for everyone -- especially the wealthy -- even though the census numbers show that income disparities are as great as they've been since the 1920s, and growing. Cutting domestic spending would add to the woes of those at the bottom.

So what to do? There ought to be both long-term and short-term solutions. One (relatively) short-term step might be creation of a national infrastructure bank that would use its lending authority to encourage private investment in roads, railways, air traffic control and waterways.

The American Society of Civil Engineers estimates that the country needs to spend $2 trillion to bring its infrastructure up to acceptable standards. Governments can't afford such outlays, but well-structured bank loans might unleash the trillions that private companies are sitting on -- and reduce the unemployment rate.

### AT: No Resources / Private Capital for Investment

#### Private capital exists for infrastructure

Snyder, 11 --- Streetsblog's Capitol Hill editor (10/7/2011, Tanya, “Does the Elusive Infrastructure Bank Already Exist?” <http://dc.streetsblog.org/2011/10/07/does-the-infrastructure-bank-of-our-dreams-already-exist/>, JMP)

And indeed, there’s plenty of private capital out there ready to invest in infrastructure. Ed Smith of Ullico, Inc., a union insurance company, said his company wants to invest pension funds in a national infrastructure bank. It would create jobs for union members and have a long-term, safe and stable payout that works well with pensions. And as a member of the labor movement, he said “People have to get out of the habit of saying we need to create jobs today through infrastructure. We need to create jobs over the next ten years – and infrastructure can do it.”

“You talk about infrastructure, you don’t talk about short-term stimulus. You talk about a stimulus that’s being put in place for five, 10 years,” Smith said. “Short-term infrastructure is an oxymoron.”

That’s why job creation should focus on repair, said Gene Sperling, director of the White House National Economic Council. He told the PPI gathering yesterday that the president’s jobs bill won’t just focus on big capital projects.

“If you’re having to have a quick impact on the economy, there aren’t that many large projects that are ready to go,” Sperling said. “Like at a home – if somebody told you you could build a new room, not everybody is ready to do that. Everybody is ready to fix something in their kitchen or their stairs.”

Sperling tried to shrug off questioning about why the president was caught blindsided by skepticism of the plan from within his own party. “There aren’t many times, in my experience, where you send up a bill and they just take it exactly as it is,” he said. “I think that there is overwhelming Democratic support in the House and the Senate, and I think you’ll see overwhelming support when Senator Reid takes this to a vote.”

“The debate about how we fund it is something we should get by rather quickly so we don’t continue to fall behind and **send the signal that there are better places to invest than America**,” said Daryl Dulaney of Siemens. “That’s a sad reality that we’re facing.”

#### National bank will ensure investment capital

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Filling the capital structure of infrastructure projects. Although the United States has the deepest capital markets in the world, those markets are not always providing the full array of investment capital needed—especially for large infrastructure projects with certain credit profiles. This has been even more obvious during the current recession, with the disruptions in the capital markets. An NIB could help by providing more flexible subordinate debt for big infrastructure projects. Generally bonds get investment-grade ratings, and have ready market access, only if they are senior obligations with secure repayment sources. For more complicated project financings that go beyond senior debt, there is a need for additional capital, such as equity capital or subordinated debt.

#### An infrastructure bank generates necessary resources

Puentes, 11 --- Senior Fellow at Brookings (4/5/2011, Robert, “Infrastructure Investment and U.S. Competitiveness,” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>, JMP)

Yet while we know America's infrastructure needs are substantial, we have not been able to pull together the resources to make the requisite investments. And when we do, we often fail to make infrastructure investments in an economy-enhancing way. This is why the proposal for a national infrastructure bank is so important. If designed and implemented appropriately, it would be a targeted mechanism to deal with critical new investments on a merit basis, while adhering to market forces and leveraging the private capital we know is ready to invest here in the United States.

Building the next economy will require deliberate and purposeful action, across all levels of government, in collaboration with the private and nonprofit sectors. Infrastructure is a big piece of that.

### AT: Infrastructure Bank => Fannie Mae / Freddie Mac

#### Won’t endanger taxpayer money

Likosky, 11 --- senior fellow at the Institute for Public Knowledge at NYU (7/12/2011, Michael B., “Banking on the Future,” <http://www.nytimes.com/2011/07/13/opinion/13likosky.html>, JMP)

A recent survey by the Rockefeller Foundation found that Americans overwhelmingly supported greater private investment in infrastructure. Even so, there is understandable skepticism about public-private partnerships; Wall Street has not re-earned the trust of citizens who saw hard-earned dollars vacuumed out of their retirement accounts and homes. An infrastructure bank would not endanger taxpayer money, because under the Federal Credit Reform Act of 1990, passed after the savings and loan scandal, it would have to meet accounting and reporting requirements and limit government liability. The proposed authority would not and could not become a Fannie Mae or Freddie Mac. It would be owned by and operated for America, not shareholders.

#### Tax payers won’t take a hit – normal means is transparency

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #10: The national infrastructure bank is another example of the federal government trying to "pick winners" that will result in taxpayers picking up the tab for failed companies like Solyndra.

Reality: The national infrastructure bank would invest in pouring concrete, not propping up companies. The idea that choosing between different infrastructure project applications is the same practice of "picking winners" that some use to describe the Section 1705 loan guarantee program at the Department of Energy is a completely wrong analogy. A properly structured infrastructure bank would be limited to financing lower-risk infrastructure projects than those of the DOE program, which included non-infrastructure business ventures such as manufacturers. And unlike the DOE approach of pursuing projects for federal policy goals, the bank would rely on the same bottom-up approach of state and local project sponsorship used by TIFIA.

The scope and mission of the!705 program was not limited to financing energy infrastructure projects. A good example of this is Solyndra itself, which is a manufacturer of solar panels, not a power producer or a project directly investing in the energy grid. The 1705 program was intended from the beginning to be more aggressive in its risk profile and financing decisions than any infrastructure bank would ever be. The 1705 loan guarantee program subsidized borrowing costs through direct appropriations and let the federal government underwrite a large share of a project's total costs, shifting the risks from private investors to the federal government. The bipartisan AIFA proposal has neither of these features.

However, the questions raised about how the Solyndra application was managed do demonstrate the need for more transparency in approving projects and for a professional, unbiased staff that is not subject to political pressures and inter-agency management problems. An independent infrastructure bank is designed to be built around an institutional culture of transparency and objective, merit-based decision making with clear criteria and creditworthiness requirements.

#### NIB wont necessitate a bail out – no conflict of interest

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #9: The national infrastructure bank is the next huge federal bailout waiting to happen, just like Fannie Mae and Freddie Mac.

Reality: Troubled government-sponsored enterprises ("GSEs") like Fannie Mae and Freddie Mac are not valid comparisons for current proposals for a national infrastructure bank. All of the bank proposals would be government corporations that are fully owned by the federal government. Fannie and Freddie are government-chartered but owned by private shareholders, which means they act in their shareholders' interest to maximize profits. That structural incentive to chase higher shareholder returns led to the leveraging and risky portfolios that resulted in insolvency and federal takeovers of these GSEs.

As a government-owned and controlled entity, a properly structured national infrastructure bank would not suffer from this conflict of interest between the public interest and private shareholder returns. It would also avoid the "moral hazard" problem created by allowing private shareholders to pursue risk-free profits by making risky loans with implicitly backing of the full faith and credit of the U.S. Treasury. This distinction is particularly applicable to the AIFA proposals in the BUILD Act and American Jobs Act, which would be explicitly backed by the Treasury, but would also be subject to the same FCRA rules governing its loans as existing credit programs with track records of responsible risk management, such as TIFIA and the Export-Import Bank.

A very important difference between the AIFA approach and the GSEs is that AIFA would not borrow a dime of money under its own name, but would rely instead on debt issued by the Treasury Department, the process for which is strictly controlled under FCRA. This restriction stands in stark contrast to the GSEs, which are able to issue their own debt securities and did so with great abandon to leverage their financing: as of June, 2008, Fannie Mae's debt was 18 times the size of its equity capital, and Freddie Mac's debt stood at over 60 times its equity.

#### Private capital solves

Fifield, 11 (8/1/2011, Anna, “US: Obstacles to progress,” <http://www.ft.com/intl/cms/s/0/01ff75ec-bc6c-11e0-acb6-00144feabdc0.html#axzz1x8QG4Ame>, JMP)

The incentive to do more with less is adding new impetus to decades-old plans to establish a national infrastructure bank, an idea supported by Mr Obama. In his budget in February, the president requested that Congress put $5bn a year for six years into establishing such a bank.

Several blueprints are in circulation, including one from Democrat John Kerry and Republican Kay Bailey Hutchison that would create a lender based on the federal Export-Import Bank, which Mr Kerry says could turn $10bn into as much as $640bn in 10 years. Others want to model it on the European Investment Bank, which holds about $300bn in capital from European Union member states. “The whole point is to leverage private capital so it won’t just be on the government’s dime,” the administration official says.

Critics warn that, if the infrastructure bank issued its own bonds, it could run into trouble like Fannie Mae and Freddie Mac, the government-sponsored mortgage lenders whose debt Washington was forced to guarantee in 2008. But in an area where cost overruns are rampant, a greater involvement of private capital could help assuage concerns.

#### Clear mandates solve

Indiviglio, 10 --- associate editor at The Atlantic from 2009 through 2011 (9/15/2010, Daniel, “Would a National Infrastructure Bank Help?” [http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/#](http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/), JMP)

Still, it's hard to see how the possibility of political influence is worst than the current system that guarantees it, since Congress now authorizes this spending directly. Organizations like the Federal Reserve and the Federal Deposit Insurance Corporation serve as examples of government enterprises that manage to stay relatively untainted by politics, despite having their leadership appointed by Presidents. The bigger fear, of course, would be that a national infrastructure bank would more closely resemble the failed mortgage companies Fannie Mae and Freddie Mac. But if its charter is clear, and its projects limited to only whatever money is allocated, then it should refrain from taking on any additional risk.

### AT: NIB is Not Accountable

#### The NIB is appointed by and answerable to the government

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

Wouldn’t this proposal transfer decisions over significant federal spending to an independent, largely unaccountable government entity?

No. The officials in charge of decision making at the bank would still be appointed by and answerable to elected officials. The NIB would be similar to several other successful institutions, such as the FDIC, which have been able to successfully and independently perform their duties with sufficient oversight. Institutions such as the California Infrastructure and Development Bank and European Investment Bank have shown that an infrastructure bank can operate effectively and be accountable.

### AT: Political Manipulation

#### Will be accountable --- Federal Reserve proves

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

The Federal Reserve provides an existing and well-accepted model for how political accountability can be combined with operational independence. The National Investment Bank could follow the same model for the appointment of its chief executive and supervisory board. As with the Fed, the chief executive and Board of Governors could be appointed by the President and confirmed by the Senate. It would be audited by an inspector-general and the Government Accountability Office.

In fact, the US government is no stranger to running development banks as a result of its existing involvement in the World Bank and the European Bank for Reconstruction and Development, in both of which it is a major shareholder, and in which US citizens hold many senior executive positions. (It is worth remembering that a number of distinguished bankers and businessmen have been willing to preside over the World Bank, from Eugene Meyer and John McCloy in its early years to James Wolfensohn in the last decade.) There is now an opportunity for America to put to work the expertise it has accumulated in these institutions in meeting its own economic challenges.

#### Federal Reserve and FDIC prove their won’t be political manipulation

Indiviglio, 10 --- associate editor at The Atlantic from 2009 through 2011 (9/15/2010, Daniel, “Would a National Infrastructure Bank Help?” [http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/#](http://www.theatlantic.com/business/archive/2010/09/would-a-national-infrastructure-bank-help/63052/), JMP)

So a national infrastructure bank could potentially act as a way for taxpayers to get more for their money and make projects more efficient. Sounds great, right? But, of course, there are some obstacles.

The first, and most obvious, is that smaller and less populous states would almost certainly fight it. If a project isn't likely to benefit as many people, then it will be very hard to get the federal government to pick up the tab. But at some point you have to ask: if we agree to allow the federal government to spend money on projects, shouldn't it do so from a national perspective that seeks to do what's best for the country on a whole?

Second, while it seems plausible that the national infrastructure bankers would be less susceptible to political influence than Congress, it's doubtful they would remain completely untainted. Presumably, you would need to have its management appointed by each incoming administration. As a result, whatever party is in power might have the ear of those bankers, and continue to influence spending.

Still, it's hard to see how the possibility of political influence is worst than the current system that guarantees it, since Congress now authorizes this spending directly. Organizations like the Federal Reserve and the Federal Deposit Insurance Corporation serve as examples of government enterprises that manage to stay relatively untainted by politics, despite having their leadership appointed by Presidents. The bigger fear, of course, would be that a national infrastructure bank would more closely resemble the failed mortgage companies Fannie Mae and Freddie Mac. But if its charter is clear, and its projects limited to only whatever money is allocated, then it should refrain from taking on any additional risk.

### AT: Crowds Out Private Investment

#### Won’t crowd out private investment --- will spur it

Senator Coons, 11 (11/3/2011, U.S. Senator Chris Coons (D-Del.), Targeted News Service, “In Floor Speech, Senator Coons Calls a National Infrastructure Bank a Creative Approach to Critical Investment,” Factiva, JMP)

Remember, we need more than $400 billion a year in investment right now just to keep up, but we all know that the constrained budgets of our county, state and local governments can't get the financing they need. This infrastructure bank would provide the leverage, a vehicle to finance desperately needed projects.

Just a few things about it: It would be for big projects, projects that cost more than $25 million in rural communities, $100 million in the rest of the country. It would only be allowed to finance up to 50% of a project to avoid crowding out private capital, to make sure that private capital has got skin in the game so it's a viable project. It's my expectation, in fact, that the infrastructure bank would finance a much smaller piece of most projects, **just enough to bring private investment to the table**. It would be government owned but independently operated, have its own bipartisan board of directors and function much like the successful Export-Import Bank.

An infrastructure bank passed by the Senate this week could provide up to $160 billion in direct financial assistance over its first ten years to infrastructure for transportation, and that would be paired with private investment that could double, triple or even quadruple increasing the full impact of this bank.

I said yesterday, Mr. President, that infrastructure is a smart investment for our country, that a national infrastructure bank, as a part of that strategy, would provide a vehicle for the private sector to get in on this investment as well and to help us accelerate our move towards the future. This, Mr. President, is smart policy.

### AT: Government Bad Args

#### The National Infrastructure Bank is immune to many of their arguments

Cohn, 11(8/11/2011, Jonathan, “Selling Public Works to the Tea Party,” <http://www.tnr.com/blog/jonathan-cohn/93496/infrastructure-bank-roads-airports-funding-obama-kerry-hutchison>, JMP)

I know Tea Party Republicans don’t care for infrastructure spending. But I presume they still care for infrastructure.

That is, I presume they like well-maintained roads, affordable electricity, and clean drinking water as much as I do. And when those things aren’t available – when antiquated air traffic control systems delay their flights, for example, or broken down street sewers flood their neighborhoods – I presume they are just as frustrated as I am.

The problem, for the Tea Partiers and their allies, is the government part. They don’t trust Congress to assign, or oversee, these investments efficiently. And you know what? They have reason to be skeptical. Congress has been known to allocate infrastructure spending based on which lawmaker sits on which committee, rather than on which project has the greatest intrinsic virtue. It’s also been known to go a bit lax on the oversight. And so we end up with Alaska’s infamous “Bridge to Nowhere,” courtesy of former Senate Transportation Committee Chairman Ted Stevens, rather than, say, a hi-speed train linking St. Louis, Chicago, and Detroit.

But **the alternative shouldn’t be to stop funding public works altogether**, particularly when new reports on the sorry state of American infrastructure seem to appear every month. The alternative should be to fund them in a better way. And, as it happens, that’s precisely what the Obama Administration and some of its allies have in mind, as part of their push for new steps to revive the economy.

You have probably heard about this proposal already: It’s called the National Infrastructure Bank. And the concept is pretty simple. The federal government would create a quasi-independent bank – which, in turn, would finance infrastructure projects by offering grants, loans, and subsidies to worthy projects. The federal government would provide the bank with start-up funds, through a large initial appropriation. But the idea is to have the bank finance itself over the long run, issuing bonds or borrowing money through the Treasury Department as necessary.

The primary rationale for the bank – and the reason it should, in theory, appeal to skeptics of government – is to insulate decision-making from the usual political influences. And that doesn’t simply mean staying away from legislators’ pet projects. It also means moving away from funding formulas that have distributed infrastructure funds with little regard for actual need, particularly when it comes to transportation.

As Ethan Pollack, of the Economic Policy Institute, explains:

 The problem goes beyond the earmarking process – in in fact, the program formulas are often written to reapportion funding to certain states at the expense of others for the sake of parochial interests, with little regard for overall efficiency of allocation. … In order to garner sufficient political support (especially in the Senate), the funds are spread evenly across the country. This was not a problem in the past, as funds were needed across the country during the construction of the interstate highway system. But as the system neared completion, this investment strategy began exhibiting steep diminishing returns.

The bank, by contrast, would make its decisions based on cost-benefit analysis, without all the congressional meddling. It might sound like a pipe dream, but the Recovery Act launched a working model for that sort of program in 2009. It’s called the Transportation Investment Generating Economic Recovery program, or TIGER. And it counts among its fans journalist Michael Grunwald, who knows a thing or two about government waste. (Yes, that's twice today I'm quoting him.) As Grunwald writes:

 The so-called TIGER program doesn't just hand out cash to every project with the proper paperwork; it rewards the applicants with the most impressive economic and environmental benefits, and it's attracted $40 worth of applications for every dollar in grants. The winners have included several freight-rail projects that will take thousands of trucks off the road, a green-themed revitalization of a Kansas City neighborhood, and a multi-modal transportation center at the intersection of three interstates, a major rail corridor and a popular 26-mile bicycle and pedestrian pathway in Normal, Ill.

### AT: NIB Replaces Other Infrastructure Programs

#### The national bank will augment and improve other infrastructure programs

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

Won’t the bank be too small to meet our infrastructure needs? Won’t it threaten other, existing funding streams and programs?

The NIB would be an additional tool to support infrastructure investment by leveraging private capital and by improving the project selection process. By doing so, the NIB would make a significant contribution to meeting America’s infrastructure needs, but the scope of demand is too great for any one program to address completely. The reforms embodied by the NIB can help to shape improvements in other programs, but the NIB is not intended to and would not be capable of completely replacing existing federal infrastructure programs. The NIB would be capitalized separately from other streams of program funding, and would assess and fund projects independently.

#### It doesn’t trade off with current programs -- NIB is funding through new appropriations

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #8: Funding for a national infrastructure bank would rob from proposed funding for Highway Trust Fund programs, including TIFIA and state infrastructure banks.

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

#### Augments other highway and transit programs

Mitchell, 11 (8/15/2011, Josh, “Plan for Highway Bank Faces Uphill Battle; White House Wants Extra Money for Transportation Projects, While GOP Questions How Funds Will Be Allocated, Spent,” <http://online.wsj.com/article/SB10001424053111904823804576500692477795126.html>, JMP)

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 nmarational 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.

### AT: Not Solve Maintenance

#### National bank will address maintenance for projects

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Correcting the maintenance bias. The mere establishment of an NIB would not correct for the problem of deferred maintenance. However, through the selection process, it could address the current bias by imposing maintenance requirements to recipients including adequately funded maintenance reserve accounts and periodic inspections of asset integrity.

## NIFF Specific

### Description of the NIIFF

Dutton, 10 (2/2/2010, Audrey, “Transportation Infrastructure Bank Plan Would Cost $4B,” <http://www.bondbuyer.com/issues/119_270/2011-budget-transportation-projects-1006756-1.html>, JMP)

WASHINGTON — President Obama in his fiscal 2011 budget yesterday proposed a $4 billion infrastructure bank to fund or finance worthwhile transportation projects.

Total new obligations for surface transportation — including highways, bridges, and a new “livable communities” initiative — would be $43.4 billion, according to the budget. That is downsized from fiscal 2010’s estimated $43.7 billion and fiscal 2009’s actual $40.1 billion. Interstate maintenance, congestion mitigation, and demonstration projects would be pared down, but the federal government would obligate more money to federal-land highways, bridges, and other programs.

The bank proposed by the president resembles a hybrid of the one-time-only Transportation Investment Generating Economic Recovery grant program, and the popular Transportation Infrastructure Finance and Innovation Act program.

The National Infrastructure Innovation and Finance Fund would have to be authorized by Congress and would not be subject to pay-as-you-go rules, according to budget documents.

It would fund or finance ­projects “that provide a significant economic benefit to the nation or a region” and “encourage collaboration among non-federal stakeholders including states, municipalities, and private investors, and also promote coordination with investments in other infrastructure sectors,” the documents said.

Investment categories would include highways, tunnels, bridges, transit, commuter rail, passenger rail, freight rail, airports, aviation, and ports — almost the whole transportation universe.

Projects or programs generally would cost $25 million or more, but small cities, regions, or states could squeeze in with lower-priced proposals.

Not all of the $4 billion would be available right away. The budget proposes $2 billion of infrastructure grants and $417 million to subsidize $2.1 billion of direct loans. About $270 million would fund administration, cost-benefit analyses, planning, and other areas, with $1.313 billion left over for fiscal 2012.

The fund resembles TIFIA and TIGER programs, which are oversubscribed. TIFIA offers low-interest loans and various flavors of credit assistance. The TIGER grants, authorized by the American Recovery and Reinvestment Act, will be awarded based partly on economic benefit.

TIFIA would remain intact even with the addition of an infrastructure bank, according to budget documents. The program would receive $100 million for direct loan subsidies and $20 million for loan guarantee subsidies — identical to 2010 estimates — in the 2011 fiscal year.

The bank would “help fund some significant projects around the country,” Transportation Secretary Ray LaHood told reporters during a teleconference call yesterday. “It’s for big, significant projects.”

LaHood said the infrastructure bank would be capitalized with general funds, appropriated by Congress.

In last year’s budget, the administration proposed a stand-alone national infrastructure bank, funded at $5 billion per year over five years. This year’s proposed program would be housed in the U.S. Department of Transportation.

### Plan --- NIIFF

#### The United States federal government should implement and fund the National Infrastructure Innovation and Finance Fund proposed in Obama’s 2011 budget.

### Solvency --- NIIFF Specific

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

Lovaa, 11 --- Federal Transportation Policy Director for NRDC (6/28/2011, Deron, “An Infrastructure Bank for Transportation,” <http://switchboard.nrdc.org/blogs/dlovaas/an_infrastructure_bank_for_tra.html>, JMP)

Another creative funding idea that’s getting some attention lately is a national infrastructure bank, an independent entity that would use government funding to attract major private investment in public infrastructure projects. NYU professor Michael Likosky recently convened a meeting between Treasury officials, bankers, pension funds and hedge fund managers to discuss how such a bank might work. It’s the first time this diverse group has ever shared their opinions with the government on this idea – and apparently some of them are bullish on it.

Infrastructure banks in other parts of the world have proven to be largely successful in leveraging public money. The European Investment Bank (EIB), owned and funded by the European Union, finances investments worth $470 billion using only about $50 billion in government funds. That’s a ratio of more than 9:1 in private versus public funding. The bank, which has funded huge projects like the Port of Barcelona and the TGV rail system that connects France and Spain, consistently turns a profit and has had only negligible delinquencies over the past five decades, according to economists Robert Skidelsky and Felix Martin, writing in the New York Review of Books.

Likosky, an expert on public-private partnerships and author of Obama’s Bank: Financing a Durable New Deal, has a fairly expansive vision of how a national infrastructure bank would operate – he’s talking about something on the level of the EIB that could finance investments on the order of $500 billion. Even Fareed Zakaria recently wrote about the need for a national infrastructure bank.

The problem is that in our current political climate, talk of using public funds to create a government bank is a total turn-off to many Republicans. No matter how great its potential benefits, a large, national infrastructure bank is exceedingly unlikely to pass muster with this Congress.

However, the concept of an infrastructure bank in and of itself shouldn’t scare anyone off, since **the size of the bank can be scaled down and still have tremendous benefits. A scaled-down infrastructure bank, devoted solely to transportation, could be more palatable to the reduced fiscal appetites of today’s Congress.**

President Obama recently proposed exactly this in his new 2011 budget. His National Infrastructure Innovation and Finance Fund (notice the absence of the word “bank”) would be housed under the Department of Transportation, and oversee $4 billion in funds over the next two years.

This is significantly smaller than the infrastructure bank he proposed last year, which was intended to be funded at $5 billion per year for five years. Yet even at this smaller scale, the bank can still be effective at leveraging public money to attract private investors for critical infrastructure projects.

An infrastructure bank for transportation would make merit-based loans for infrastructure improvements, using public funds to attract investment from the private sector. A merit-based system would make more efficient use of funds than the current, earmark-heavy funding that dominates the federal transportation program.

Through the bank, federal, state and local governments could work together with the private sector to fix crumbling roads and bridges, and create a 21st century transportation system.

Likosky envisions the role of the government in public-private partnerships as that of a “player-coach,” not dictating the rules from the sidelines (and thus being a thorn in the side of potential private investors) but being involved in the game itself. The biggest challenges, which they’ve seemed to manage pretty well over in Europe, are ensuring that the public gets a reasonable return for their investment in the end, and that non-monetary objectives rooted in the public good, such as increased accessibility and employment, or greenhouse gas reductions, are specified and required.

America’s infrastructure ranking has dropped from 6th to 23rd in the past decade, and continues to drop, according to the World Economic Forum. We need to invest in our roads, rails and bridges if we want to remain economically competitive. And with the federal budget under such pressure, it’s becoming increasingly apparent that we need a lot of private capital to do it. A scaled-down infrastructure bank might not be able to generate the trillions of dollars we need to upgrade our entire transportation network, but it will make good use of our limited public funds to vastly improve the status quo.

### Funded With Treasury Funds

#### Will be funded with general Treasury funds

Tanner 10 – The official business publication of the owner-operator independent drivers association (David, “DOT budget: $4 billion for infrastructure bank”, February 2, 2012, Land Line Magazines, Online @ <http://www.landlinemag.com/Story.aspx?StoryID=18760>)//MM

DOT budget: $4 billion for infrastructure bank The Obama administration is hoping to create a national infrastructure bank to fund large-scale transportation projects, according to a budget proposal released on Monday, Feb. 1. An infrastructure bank, known as the National Infrastructure Innovation and Finance Fund, would be funded not by the Highway Trust Fund, but by general Treasury funds. U.S. Transportation Secretary Ray LaHood said it would start with an initial $4 billion and be used to issue grants and loans for projects of national or regional significance. LaHood told the press Monday that the infrastructure bank would fund “innovative multi-modal projects” and “big projects around the country.” LaHood also reminded reporters that the proposal is still in the planning stages. The overall budget request for the U.S. Department of Transportation calls for $78.8 billion in fiscal year 2011, an increase of 2 percent from the 2010 level of $77 billion. Funding for federal aid highways would be increased by 0.6 percent despite an overall decrease of 2.2 percent for the Federal Highway Administration. LaHood brought attention to an additional $1 billion in the budget request to fund high-speed rail and highlighted increases in safety funding in other areas. As part of the safety push, LaHood said the budget includes a $50 million grant fund to assist states in implementing laws to combat distracted driving. Safety personnel within the Federal Motor Carrier Safety Administration and National Highway Traffic Safety Administration would both be increased. “First of all, safety personnel will be added across all agencies: Sixty-six additional personnel in NHTSA assigned to highway and vehicle safety and 118 additional motor carrier safety personnel (at FMCSA),” said LaHood.

### NIIFF => Transportation Infrastructure Investment

#### NIIFF expands federal transportation infrastructure investment

Voorhees, 10 (2/1/2010, Josh, “White House Budget Seeks $4B for Transportation Infrastructure Bank,” <http://www.nytimes.com/gwire/2010/02/01/01greenwire-white-house-budget-seeks-4b-for-transportation-i-444.html>, JMP)

President Obama's proposed fiscal 2011 budget would create a national infrastructure bank to fund major transportation projects and provide an additional $1 billion for high-speed rail projects.

As expected, the request for overall spending on the two largest federal ground transportation programs, highways and transit, remained relatively constant from the previous year. The federal highway program would receive a $200 million bump to $41.3 billion, and transit investment would climb roughly $70 million to $10.8 billion.

The infrastructure bank -- called a National Infrastructure Innovation and Finance Fund -- would be used to expand existing federal transportation investments by providing direct federal funding and seed money for large-scale capital project grants that "provide a significant economic benefit to the nation or a region."

Obama requested $4 billion to launch the bank, $2.6 billion of which would be handed out in grants or loans during fiscal 2011. Roughly $270 million would be used for administrative, planning and project analysis costs, with the remaining carried over to the next year.

"The National Infrastructure Innovation and Finance Fund will establish a new direction in federal infrastructure investment that emphasizes demonstrable merit and analytical measures of performance," the budget states.

Obama requested $5 billion to launch the bank last year, but appropriators balked at providing the cash until Congress first passed legislation that would officially create the bank. During his presidential campaign in the summer of 2008, Obama called for a total of $60 billion over 10 years for the bank.

A number of transportation advocates -- including Pennsylvania Gov. Ed Rendell (D), the Center for National Policy and the American Association of State Highway and Transportation Officials -- have pushed lawmakers to launch the infrastructure fund. Senate Banking Chairman Chris Dodd (D-Conn.) has said that creating it will be one of his top priorities this year, his last before he retires from the Senate (E&ENews PM, Jan. 20).

#### An NIIFF would catalyze private sector investment – that solves infrastructure construction while being politically palatable

SIFMA, 11 – leading securities industry trade group[1] representing securities firms, banks, and asset management companies in the U.S. (Securities Industry and Financial Markets Association, 2/7/11, “LaHood Optimistic for Multiyear Transportation Bill in 2011” http://www.sifma.org/blastemails/infrastructure-update/infrastructure-update.html)

On January 24, 2011, Rep. Rosa DeLauro (D-Ct.) introduced the National Infrastructure Development Bank Act, in a bill that tracks largely with one she introduced in 2009.

The bill would create a bank, administered by the federal government, which would establish a means for private investment in the nation’s infrastructure, including transportation, energy, and telecommunications infrastructure.

The proposed bank is modeled after the European Investment Bank, a major goal of which is infrastructure development across the European Union. Studies supporting the legislation show that every $1 billion invested in infrastructure produces six-fold returns and supports about 47,500 jobs; the bank, proponents argue, would be a way of efficiently capitalizing on that potential growth for both GDP and jobs.

The legislation is largely similar to the bill of the same name which DeLauro introduced in 2009; one key change is that any debt instruments created by the bank would not have the backing of the full faith and credit of the United States. With heightened concern over the federal government’s fiscal status, the current version of the bill allows the private sector to take the lead on infrastructure investment without the government incurring further debt. In the previous version, the bank’s bonds were set to be 30-year instruments; however, the newest version allows the Board of Directors to establish their duration.

A national infrastructure bank has been proposed by many lawmakers for several years, but the idea is garnering significantly more attention, lately, with a renewed focus on infrastructure investment and development.

President Obama proposed the creation of the bank in his last two budgets and incorporated it into his 2011 State of the Union address. The President singled out high-speed rail, proposing an initiative to have 80 percent of Americans connected within 25 years.

In Obama’s FY2011 budget, he proposed establishing a National Infrastructure Fund with $4 billion of seed money to create a “National Infrastructure Innovation and Finance Fund [NIIFF] to invest in projects of regional or national significance.” The NIIFF, essentially a hybrid of other national infrastructure bank proposals, would be established as a new operational unit within the Department of Transportation, and would direct resources for projects through grants, loans, or a blend of both. The fund would encourage collaboration among non-Federal stakeholders including states, municipalities, and private investors, and also promote coordination with investments in other infrastructure sectors.

### Solves Infrastructure

#### The NIIFF’s performance-based criteria are key to effective infrastructure development

DOT, 11 (US Department of Transportation, 2011, “DEPARTMENT OF TRANSPORTATION Funding Proposals” online @ http://media.washingtonpost.com/wp-srv/special/politics/budget-proposal/agency-by-agency/budget\_2011\_transportation.pdf)

The Department of Transportation (DOT) is focused on its core mission of promoting safety and increasing mobility, and supporting the development of infrastructure that will underpin job creation for years to come. For 2011, DOT has several major initiatives in these areas, in addition to plans to deliver transportation funds based on greater use of analysis and consideration of program performance. Creates a National Infrastructure Innovation and Finance Fund. The Budget includes $4 billion to create a National Infrastructure Innovation and Finance Fund to invest in projects of regional or national significance. This marks an important departure from the Federal Government’s traditional way of spending on infrastructure through grants to specific States and localities. Established as a new operational unit within DOT, the Fund will directly provide resources for projects through grants, loans, or a blend of both, and will effectively leverage non-Federal resources, including private capital. The Fund will allocate resources based on demonstrable merit and analytical measures of performance. The Fund will provide planning, feasibility, and analytical capacity to help sponsors identify projects from around the country and then carefully select the most worthwhile. Establishes a New Federal Transit Safety Program. Unlike other modes of transportation, closed system rail transit services (generally, metro area subways and light rail systems) are not overseen by Federal safety regulators, but rather are subject to review by a patchwork

### Solves Economy

#### Plan boosts the economy via performance-based infrastructure funding

Dutton, 10 – reporter for The Bond Buyer (Audrey Dutton, 2/1/10, “Transportation Infrastructure Bank Plan Would Cost $4B” http://www.bondbuyer.com/issues/119\_270/2011-budget-transportation-projects-1006756-1.html)

The bank proposed by the president resembles a hybrid of the one-time-only Transportation Investment Generating Economic Recovery grant program, and the popular Transportation Infrastructure Finance and Innovation Act program.

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The fund resembles TIFIA and TIGER programs, which are oversubscribed. TIFIA offers low-interest loans and various flavors of credit assistance. The TIGER grants, authorized by the American Recovery and Reinvestment Act, will be awarded based partly on economic benefit.

TIFIA would remain intact even with the addition of an infrastructure bank, according to budget documents. The program would receive $100 million for direct loan subsidies and $20 million for loan guarantee subsidies — identical to 2010 estimates — in the 2011 fiscal year.

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In last year’s budget, the administration proposed a stand-alone national infrastructure bank, funded at $5 billion per year over five years. This year’s proposed program would be housed in the U.S. Department of Transportation.

### AT: TIFIA CP

#### Plan solves better than TIFIA

BMI, 10 – financial consulting company (Business Monitor International, 2/2/10, “2011 Budget Proposes A National Infrastructure Bank” http://store.businessmonitor.com/article/324589/)

President Barack Obama has outlined plans for a US$4bn national infrastructure bank in the 2011 budget plans.

Obama's US$3.8trn budget for 2011 includes provision for setting up The National Infrastructure Innovation and Finance Fund. The fund would be established with US$4bn. Of this, US$2bn would be for infrastructure grants, US$417mn for subsidising US$2.1bn in direct loans, US$270mn for administration and US$1.31bn left over for the 2012 fiscal year, according to The Bond Buyer. The fund would also seek to mobilise private capital for infrastructure investment.

The infrastructure bank would sponsor projects of regional or national significance, providing planning, feasibility studies and analysis, as well as funding, for projects based on merit and performance. This would be a significant departure from the traditional method of funding infrastructure projects, via grants to specific states or localities.

The infrastructure bank would be set up within the Department of Transportation (DoT) and would provide funding to any project that comes under the transportation moniker, including roads, ports and airports, and passenger, freight and transit rail. In total the DoT would receive US$75.3bn in the 2011 budget, up only marginally from the US$74.6bn allocated in the 2010 budget. Of this, US$1bn would go towards high speed rail.

The bank resembles the Transport Infrastructure Finance and Innovation Act (TIFIA) which has proved a popular and very effective method of financially supporting transport infrastructure investments. The TIFIA offers federal credit assistance to transport projects deemed regionally or nationally significant in the form of loans, loan guarantees and standby credit lines. Total TIFIA assistance so far has reached US$7.7bn, facilitating US$29bn worth of transport projects. The infrastructure bank will not replace the TIFIA, which is also set to receive funding in the 2011 budget, with US$100mn for direct loan subsidies and US$20mn for loan guarantee subsidies.

BMI strongly supports the establishing of national infrastructure bank in the US. Credit assistance provided by the TIFIA has been pivotal in supporting transport infrastructure projects over the past year. Indeed, every single public-private partnership road project that has reached financial closure in the past year has benefitted from TIFIA assistance. With the infrastructure bank providing a similar service on a much larger scale, it will considerably facilitate private investment, as well as provide much more transparent regulation.

The budget has to be approved by both houses of congress in order to take effect.

### AT: Obama Good --- Bipartisan Support

#### NIIFF is bipartisan and has lobby support

Stiles, 11 - Franklin Center’s 2011 Thomas L. Rhodes Journalism Fellow (Andrew Stiles, 8/16/11, “Obama’s Stimulus Dilemma” http://www.nationalreview.com/articles/274729/obama-s-stimulus-dilemma-andrew-stiles?pg=1)

INFRASTRUCTURE BANK

This is the cornerstone of Obama’s plan to “rebuild” the country, literally, through the creation of a National Infrastructure Innovation and Finance Fund, which would “directly provide resources for projects through grants, loans, or a blend of both.” The idea would be to leverage public funds (about $5 billion per year) in order to attract significant private-sector investment in infrastructure (up to $640 billion) over the next decade. Obama predicted this would “put 100,000 folks to work right now . . . rebuilding our roads and our bridges and our vital infrastructure all across the country.”

It is an idea that enjoys support across party and ideological lines. Legislation to establish the infrastructure bank is sponsored by Sens. John Kerry (D., Mass.) and Kay Bailey Hutchison (R., Texas), and it has the approval of such odd counterparts as Thomas J. Donohue, president of the U.S. Chamber of Commerce, and Richard Trumka, president of the AFL-CIO. However, as Conn Carroll of the Washington Examiner accurately points out, the proposal is likely to amount to little more than “just another stimulus boondoggle.”

## Offcase Answers

### AT: Spending / Economy Disads

#### Won’t add to the deficit

Plautz, 10 (9/22/2010, Jason, Environment & Energy Daily, “DEVELOPMENT; Backers say infrastructure bank wouldn't repeat Fannie, Freddie mess,” Factiva, JMP)

**\*\*\*Alan Krueger, assistant secretary for economic policy and chief economist at the Department of the Treasury**

Funding questions

Much of the hearing centered on how to pay for the bank and ensure that none of the projects needed government help or would add to the deficit. Krueger said the first key was that regulators would ensure that every project had both "national significance" and a solid budget plan.

Robert Wolf, chairman and CEO of investment bank UBS Americas, said the NIB could also focus on projects with a possible return, such as user fees. That would give the private lenders more security and would help keep the projects afloat, he said. Pennsylvania Gov. Ed Rendell (D) testified that projects would not be backed with federal credit, although he said governments could offer "availability payments" to incentivize more private lenders.

Rendell said the NIB was just a "linchpin" in a larger need for more infrastructure spending, though he noted it was a creative way to finance work that is desperately needed.

"Many detractors of a national infrastructure bank say that we cannot afford to do this. I say we cannot afford not to do it," Rendell said. "I would like to know what successful company in the United States has grown itself without investing money back into its business. ... Companies will leave our shores and we will import more than we export. That cannot be the way of our future."

#### NIB invests efficiently – generates growth without massive deficit spending

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #1: We can't afford a national infrastructure bank, because the federal government is already "out of money."

Reality: The claim that the government is "broke" because we are running deficits is not unique to infrastructure, and it could apply to any spending proposal currently before Congress. But it does argue for focusing on our most urgent spending priorities, and for making the most efficient use of taxpayer dollars. Maintaining healthy infrastructure has always been supported by both parties as a top priority that is essential to economic prosperity and a high quality of life for all Americans. There is no avoiding the generational need to rebuild our aging infrastructure, and we must remember that there is nothing fiscally responsible about deferring maintenance costs, because those costs only become more expensive the longer we put them off.

 One of the best arguments for the bank approach is that produces much more "bang for the buck" from taxpayer dollars than the direct funding and grants that dominate our existing federal programs. This Committee has recognized that providing credit assistance to long-lived infrastructure projects is not the same as deficit spending--it is investing, not "spending." By focusing on loans and loan guarantees that cover only a portion of the total cost of new projects, the bank would ensure that private capital or state funding sources bear a significant share of our investment burdens. Creative partnerships with states, local governments and agencies, and private investors will allow for flexible solutions that make the most efficient use of all our country's financing resources.

#### National bank mechanism will save money over current infrastructure methods

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Keeping recipients accountable. An NIB would have more control over the selection and execution of projects than the current broad transportation grants. It would be able to enforce its selection criteria, make sure that the projects are more in line with its objectives, and have oversight of the outcomes of the projects.

The new infrastructure entity should require repayment of principal and interest from applicants. This would bring more fiscal discipline and commitment from the recipients to the outcomes of the project.

The extensive use of loans by an NIB contributes to the distinction between a bank and another federal agency. The interest rates charged to the state and local recipients of NIB loans might be set to slowly repay the initial injections of federal capital, while still maintaining a sufficient capital base.

Correcting the maintenance bias. The mere establishment of an NIB would not correct for the problem of deferred maintenance. However, through the selection process, it could address the current bias by imposing maintenance requirements to recipients including adequately funded maintenance reserve accounts and periodic inspections of asset integrity.

Better delivery of infrastructure projects. An NIB could require that projects be delivered via the mechanism offering best-value to the taxpayer and end user. The design-bid-build public finance model has been the most commonly used project delivery method in the transportation sector in the United States. Until very recently, there has been little experimentation with other delivery contracting types.

Evidence from other federal states, such as Australia, shows that private delivery saves money on infrastructure projects.

#### The bank will only approve projects that have likely revenue streams to ensure repayment

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

Won’t this just turn into another big-spending program or bailout? How will the bank be repaid on investments in infrastructure?

No, loans and financing issued by the NIB could be repaid by recipients. The existing European Investment Bank raises capital in the private markets and lends it at a higher interest rate in order to achieve profit and maintain sustainability.44 Repayments on infrastructure assets are often derived from tolls and user fees, but can be provided through other means such as availability payments and gross revenues.45 As part of its project evaluation criteria, the NIB would be required to assess repayment prospects and to ensure that it remains a viable entity.

#### Bank will solve billions in inefficiencies and costs of not acting are greater

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

It’s too expensive.

Financing the infrastructure upgrades needed to support America’s economy and meet its new challenges won’t be cheap, but there are billions in efficiencies that can be wrung out of the system with real structural changes, and the economic costs of inaction will be higher. By leveraging private resources, the NIB will ensure that future spending on infrastructure will get the utmost bang for the taxpayer buck. It will also cut down on waste by supporting only projects that serve demonstrated regional or national needs and satisfy goal-based criteria.

#### Maintenance is cheaper than repairs later

AGC, 11 (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

Perhaps counter intuitively, regular federal investments in infrastructure also save taxpayers money. That is because it costs a lot less to maintain infrastructure than it does to repair it. Either we can make regular investments in maintaining the quality and integrity of our existing infrastructure, or we can make significantly larger investments in repairing infrastructure once it is broken. In addition to having to pay more to repair that infrastructure, Americans are likely to bear the burden of lost or damaged lives and lost economic opportunity that inevitably come when vital pieces of infrastructure fail.

### --- AT: Econ Impact Turns the Case

#### National bank will boost infrastructure even during economic decline

Garrett-Peltier, 10--- research fellow at the Political Economy Research Institute at the University of Massachusetts, Amherst (11/1/2010, Heidi, Dollars & Sense, “The case for a national infrastructure bank: a bank could be a recession-proof source of jobs,” Factiva, JMP)

In any case, a national infrastructure bank would make an important contribution to upgrading and expanding the country's infrastructure. It would boost the overall level of infrastructure spending. By leveraging private investment, it could continue to fund infrastructure projects even during recessions. Plus, it would make infrastructure spending more equitable since it would raise funds from a geographically distributed population, then target those funds toward the areas of greatest need.

### AT: Stimulus Bad Args

#### Non Unique and Turn --- spending is inevitable and waiting makes all of their turns bigger and more likely

Frank, 6/2 --- economics professor at the Johnson Graduate School of Management at Cornell (6/2/2012, Robert H., “Repairing Roads Can End All Kinds of Gridlock,” <http://www.nytimes.com/2012/06/03/business/road-repairs-can-end-political-gridlock-economic-view.html>, JMP)

DEMOCRATS and Republicans share less common ground than at any point in living memory, and they are especially divided about our still-ailing economy. When Democrats propose additional economic stimulus, Republicans call for more cuts in government spending and regulation. And even though the effects of the Great Recession are still with us, political gridlock seems set to continue.

Yet recent public statements by both President Obama and his probable Republican challenger, Mitt Romney, suggest a way forward. The president has long advocated infrastructure investment as a way to put Americans back to work. For his part, Mr. Romney recently warned that government spending cuts would “slow down the economy,” so he, too, has acknowledged the clear link between spending and employment.

Both men should thus be willing to take the one politically feasible step that could help mend the economy quickly: an accelerated program of infrastructure repairs. People in both parties already agree that these improvements are needed — even apart from their impact on employment.

In its 2009 assessment of the nation’s roads, bridges and other infrastructure, the American Society of Civil Engineers identified more than $2 trillion in long-overdue repairs. Of course, when maintenance is postponed, its cost rises rapidly. If Interstate highway repairs are delayed even briefly, damage from heavy trucks and winter weather can cause costs to rise several fold. According to the American Association of State Highway and Transportation Officials, substandard roads also cause $335 in annual damage per vehicle on the road. Still more troubling, those roads cause many easily preventable deaths and injuries. What could possibly justify further delay?

Some people object to the additional government debt that infrastructure repairs would require. As austerity proponents like to say, governments can’t spend beyond their means indefinitely, any more than businesses or families can. It’s a fair statement if we’re talking about the long run. But in the short run, it’s utterly false. When prudent investment opportunities arise, families, businesses, and governments can and should spend more than they take in.

Consider an indebted family that must decide whether to borrow $5,000 to install additional insulation in its attic, a project that would reduce its utility bills by an average of $100 a month and require loan payments of $50 a month. In the short run, obviously, the project would increase the family’s indebtedness. But can there be any doubt that the family would be better off, in both the short and the long run, by going ahead with it? Even while making payments on the loan, it would have $50 more each month. And once the loan was paid off, it would have $100 a month more. What possible argument could be offered against this project?

The same logic applies to overdue infrastructure investments. Yes, paying for them requires more government debt. And while austerity advocates fret that such projects will impoverish our grandchildren, they concede that the investments can’t be postponed indefinitely, and that they’ll become much more expensive the longer we wait.

Our lingering economic doldrums reinforce the case. Many skilled people who can do these jobs are unemployed today. If we wait, we’ll have to bid them away from other useful work. And with much of the world still in a downturn, the required materials are cheap. If we wait, they’ll become more costly. Annual interest rates on 10-year Treasury notes have fallen below 1.5 percent. Those rates will also be higher if we wait. So it’s actually our failure to undertake these projects that’s saddling our grandchildren with gratuitously larger debt.

By itself, the savings from accelerating infrastructure repairs won’t be enough to balance government budgets. But debt is a long-run problem, and as the budget surpluses of the late 1990s remind us, the American economy at full employment can generate more than enough revenue to pay the government’s bills.

Allowing our economic sluggishness to continue will burden our future in several other ways. Recent graduates, for example, have had to begin their careers in the toughest labor market since the Great Depression. Their slow start will mean lower incomes for a lifetime. Because businesses are not investing at normal levels — why build new factories if you can already produce more than consumers want to buy? — the nation’s future capital stock will be smaller. And that means slower growth in productivity and wages. Widespread unemployment and lagging wages have also meant higher poverty rates and more children with inadequate nutrition. In each case, the effect is to reduce future tax receipts, pushing government budgets further into the red.

The most important single step toward a brighter future is to repair our economy as soon as possible. And **one of the surest ways to do so is a large and immediate infrastructure refurbishment program.**

This path would not require Republicans to concede the merits of traditional Keynesian stimulus policy. Nor would it require them to abandon their concerns about the national debt. In short, the philosophical foundation for an agreement is already firmly in place.

If it doesn’t happen, the coming political campaign will provide a golden opportunity to learn why. At the inevitable town hall meetings, voters who are tired of gridlock should ask candidates when they think that long-overdue infrastructure repairs should begin. The only defensible answer is “Right now!” Candidates who counsel further delay should be pressed to explain why.

#### Investment now is good --- employs displaced workers and boosts short and long term growth

**Treasury Department 12** – along with the Council of Economic Advisers. (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, Department of the Treasury, March 23, 2012, <http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf>, Callahan)

An analysis of the economic impact of transportation investment indicates that now is an optimal time to increase the nation’s investment in transportation infrastructure. Investing in transportation infrastructure would generate jobs to employ workers who were displaced because of the housing bubble. We estimate that the average unemployment rate among those who would gain employment in the jobs created by additional infrastructure investment has averaged approximately 13 percent over the past twelve months. There is also accumulating evidence that construction costs are currently low because of underutilized resources, so it would be especially cost-effective to seize this opportunity to build the quality infrastructure projects that are ready to be built. Historically, we also know that state and local governments are more prone to cut back on infrastructure spending during tough economic times, despite the growing need and demand for these projects. Americans overwhelmingly support increasing our infrastructure investment, as evidenced by consistent support for local investments on ballot initiatives. This is hardly surprising given that our report documents that the American public is less satisfied with our transportation infrastructure than residents of most other OECD nations. Merely increasing the amount that we invest, however, must not be our only goal. Selecting projects that have the highest payoff is critically important, as is providing opportunities for the private sector to invest in public infrastructure. Given the significant need for greater investment, the federal government cannot, and should not, be expected to be the sole source of additional investment funds. More effectively leveraging federal investment by pairing it with state, local, and private investment is necessary to meet the challenges we face in expanding our transportation network. Thus, establishing a National Infrastructure Bank, along with other significant reforms in our infrastructure financing system, should remain a top priority. Evidence also shows that well-functioning infrastructure systems generate large rates of return not only for the people who travel on the systems every day – the direct beneficiaries – but also for those in the surrounding regions and our nation more generally. Investment in infrastructure today will employ underutilized resources and raise the nation’s productivity and economic potential in the future. By contrast, poorly planned, non-strategic investment is not only a waste of resources, but can also lead to lower economic growth and production in the future. That is why any increase in investment should be coupled with broad-based reform to select infrastructure projects more wisely. The President’s proposal to increase our nation’s investment in transportation infrastructure, coupled with broad-based reform of our transportation funding system, would have a significant and positive economic impact in both the short and long term, raising our nation’s economic output, creating quality middle-class jobs, and enhancing America’s global economic competitiveness.

#### The plan is a unique form of stimulus boosts growth and job-creation – NIB secures private investment by ensuring investor confidence

Tyson, 10– professor at the Haas School of Business at the University of California, Berkeley, was chairwoman of the Council of Economic Advisers and the National Economic Council in the Clinton administration. She is a member of President Obama's Economic Recovery Advisory Board. (Laura, “Why We Need a Second Stimulus,” August 29, 2010, The New York Times, Lexis)//SPS

OUR national debate about fiscal policy has become skewed, with far too much focus on the deficit and far too little on unemployment. There is too much worry about the size of government, and too little appreciation for how stimulus spending has helped stabilize the economy and how more of the right kind of government spending could boost job creation and economic growth. By focusing on the wrong things, we are in serious danger of failing to do the right things to help the economy recover from its worst labor market crisis since the Great Depression. The primary cause of the labor market crisis is a collapse in private demand — the same problem that bedeviled the economy in the 1930s. In the wake of the financial shocks at the end of 2008, spending by American households and businesses plummeted, and companies responded by curbing production and shedding workers. By late 2009, in response to unprecedented fiscal and monetary stimulus, household and business spending began to recover. But by the second quarter of this year, economic growth had slowed to 1.6 percent, according to a government estimate issued Friday. Clearly, the pace of recovery is far slower than what is needed to restore the millions of jobs that have been lost. Households and businesses are on a saving spree to rebuild their balance sheets. Their spending relative to income has fallen more than at any time since the end of World War II. So there is now a substantial gap between the supply of goods and services the economy is capable of producing and the demand for them. This gap is starkly reflected by the 23 million Americans who are looking for full-time jobs and the millions more who have left the labor force because they could not find one. The situation would be even worse without the $787 billion fiscal stimulus package passed in 2009. The conventional wisdom about the stimulus package is wrong: it has not failed. It is working as intended. Its spending increases and tax cuts have boosted demand and added about three million more jobs than the economy otherwise would have. Without it, the unemployment rate would be about 11.5 percent. Because about 36 percent of the money remains to be spent, more jobs will be created — about 500,000 by the end of the year. But by next year, the stimulus will end, and the flip from fiscal support to fiscal contraction could shave one to two percentage points off the growth rate at a time when the unemployment rate is still well above 9 percent. Under these circumstances, the economic case for additional government spending and tax relief is compelling. Sadly, polls indicate that the political case is not. Two forms of spending with the biggest and quickest bang for the buck are unemployment benefits and aid to state governments. The federal government should pledge generous financing increases for both programs through 2011. Federal aid to the states is especially important because they finance education. Although the jobs crisis is primarily a crisis of demand, it also reflects a mismatch between the education of the work force and the education required for jobs in today’s economy. Consider how the unemployment rate varies by education level: it’s more than 14 percent for those without a high school degree, under 10 percent for those with one, only about 5 percent for those with a college degree and even lower for those with advanced degrees. The supply of college graduates is not keeping pace with demand. Therefore, more investment in education could reduce both the cyclical unemployment rate, as more Americans stay in school, and the structural unemployment rate, as they graduate into the job market. An increase in government investment in roads, airports and other kinds of public infrastructure would be cost-effective, too, as measured by the number of jobs created per dollar of spending. And it would help reduce the road congestion, airport delays and freight bottlenecks that reduce productivity and make the United States a less attractive place to do business. The American Society of Civil Engineers has identified more than $2.2 trillion in public infrastructure needs nationwide, and a 2008 study by the Congressional Budget Office found that, on strict cost-benefit grounds, it would make sense to increase annual spending on transportation projects alone by 74 percent. Over the next five years, the federal government should work with state and local governments and the private sector to finance $1 trillion worth of additional investment in infrastructure. It should extend the Build America Bonds stimulus program, which in the past year has helped states finance $120 billion in infrastructure improvement. The federal government should also create and capitalize a National Infrastructure Bank that would provide greater certainty about the level of infrastructure financing over several years, select projects based on rigorous cost-benefit analysis, invest in things like interstate high-speed rail that require coordination among states and attract private co-investors in projects like toll roads and airports that generate dedicated future revenue streams. But can the government afford this additional spending? The answer is yes. Despite the large federal deficit, global savers, including savings-hungry American households, are snapping up United States government securities at very low interest rates. And they will continue to do so as long as there is ample slack in the economy and inflation remains subdued. Over the next few years, there is little risk that federal deficits will crowd out private investment or precipitate a crisis of confidence in the American government, a spike in American interest rates or a sudden drop in the dollar. On the other hand, as long as private demand remains weak, the risk is uncomfortably high that trying to reduce the deficit — by cutting spending or increasing taxes — will tip the economy back into recession or condemn it to years of faltering growth and debilitating unemployment. In fact, either outcome would depress tax revenue and could mean larger deficits. Faced with these risks, as long as the economy is operating far below potential, policy makers should do two seemingly contradictory things. First, they should provide additional fiscal support for job creation and growth. And, second, they should enact a credible multiyear plan now to stabilize the ratio of federal debt to gross domestic product gradually as the economy recovers. By easing capital market concerns about the government’s future borrowing needs, such a plan would permit larger deficits and slower debt reduction while unemployment is still high. The long-run debt problem — the result of imprudent fiscal decisions before the recession, escalating health care costs and an aging population — must be addressed once the economy has recovered. But for now the priorities of fiscal policy should be jobs and investment.

### AT: Inflation

#### Substantial infrastructure investment puts unemployed workers back to work and doesn’t cause inflation

Pollin et al 09 – Professor of Economics and Co-director of the Political Economy Research Institute. Heintz, Associate Research Professor and Associate Director, and Garrett-Peltier, Research Assistant. (Robert, James, and Heidi, “How Infrastructure Investments Support the U.S. Economy: Employment, Productivity, and Growth”, Political Economy Research Institute, January 2009, <http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/green_economics/PERI_Infrastructure_Investments>, Callahan)

\*they’re talking about a hypothetical infrastructure investment program

This suggests that our accelerated high-end investment scenario represents a public investment initiative that is significantly larger than the creation of the interstate highway system. Indeed, given the total public annual public investment of $92.8 billion associated with the accelerated scenario, the additional amount of public investment would total the $530 billion spent building the interstate highway system in just under six years. Despite the limitations of this comparative exercise, it does suggest that the baseline and accelerated scenarios represent ambitious infrastructure investment programs. Employment effects of policy scenarios How many jobs would the different investment scenarios actually create? Table 3.3 summarizes the estimates—focusing only on the direct and indirect effects. The table also presents the number of jobs that would be generated for each $1 billion spent under the two scenarios. Looking first at the baseline scenario, we estimate that this infrastructure program would create slightly more than 1.1 million jobs through direct plus indirect effects. The largest number of jobs would be construction jobs—about 640,000. However, we project that the program would also create about 120,000 manufacturing jobs. The program would also generate a number of service jobs. Figure 3.2 shows the share of total job creation by broad industrial sector—again, including only the direct and indirect effects. The high-end scenario would create 1.9 million jobs, including approximately 210,000 manufacturing jobs. Note that these estimates are annual job figures—the number of jobs a given level of spending will support in a year. If the level of additional infrastructure spending were maintained over several years, e.g. a timeframe of five years, this does not mean that five times as many jobs would be created at the end of that period. It rather means that the average annual level of job creation will be maintained over a longer time period—i.e. the additional jobs would last for five years instead of just a single year. In Table 3.4, we report overall job-creation effects, including induced as well as direct plus indirect effects. Taking into account the induced effects, our estimate of total job creation under the baseline scenario is 1.6 million jobs, of which 146,000 would be in manufacturing. Our estimate of total job creation under the accelerated program would be 2.6 million jobs. In this high-end scenario, over a quarter of a million manufacturing jobs would be created. 19 Of course, all of these estimates presume that there is enough slack in the labor market to allow room for this level of employment expansion. What would the impact of these programs be in the context of current employment conditions? The Bureau of Labor Statistics, in its December 2008 Employment Situation Summary, estimated that 11.1 million people were unemployed—corresponding to an unemployment rate of 7.2 percent. The baseline scenario would create 1.6 million jobs (including induced effects) in its first year. This increase of 1.6 million jobs would lower the unemployment rate to 6.2 percent. An increase of 2.6 million jobs associated with the accelerated, high-end scenario would reduce the unemployment rate to 5.5 percent. Thus, even with our accelerated infrastructure investment scenario, the level of unemployment would remain high. There are currently more than enough unemployed workers to take the new jobs without bumping up against labor supply problems or inflationary pressures.

### AT: Obama Good

#### Bipartisan support for the national bank

Lamberton, 11 (9/7/2011, Giles, “Feds Weigh Infrastructure Financial Solutions,” <http://www.constructionequipmentguide.com/Feds-Weigh-Infrastructure-Financial-Solutions/16865/>, JMP)

A Bipartisan Issue

Coalition member Robert Puentes, senior fellow in the Brookings Institution’s Metropolitan Policy Program, believes the NIB is “no silver bullet, but if appropriately designed and with sufficient political autonomy, it could improve the efficiency and effectiveness of future federal infrastructure projects of national significance.”

Puentes says such a result is possible because the issue of efficient funding is a bipartisan issue. “I don’t want to be naive,” he says, “but the key elements of a national infrastructure bank span political ideologies.” He cites such overriding principles as the need for a better project selection process and more accountability for funds expended, as well as the need to maintain existing infrastructure and deliver projects more efficiently.

“These are not Republican or Democratic issues. So substantively, there is nothing that should prevent action,” Puentes says.

#### Popular with public and avoids Republican concerns

Plautz, 10 (9/22/2010, Jason, Environment & Energy Daily, “DEVELOPMENT; Backers say infrastructure bank wouldn't repeat Fannie, Freddie mess,” Factiva, JMP)

**\*\*\*Pennsylvania Gov. Ed Rendell (D)**

Rendell optimistic about chances

In an interview after the hearing, Rendell said the NIB had a chance of passing during Congress' lame-duck session, but only with more support from the administration.

"This is something I think there's strong citizen support for and in and of itself it doesn't cost anything," Rendell said. "I think it would be an easy thing to pass during lame duck. Now the Republicans have said they don't want to pass anything with deficit implications or tax implications and I think this could escape both those categorizations."

Rendell is the co-chairman of Building America's Future, a bipartisan group committed to pushing sustainable, smart-growth infrastructure.

#### Can be housed in the ExIm Bank or the OPIC --- overcomes setup challenges

Crooks & Quadt, 12 --- vice president and in principal at Booz Allen Hamilton (4/20/2012, Ed Crooks and Michelle Quadt, “Rethinking Infrastructure Funding,” <http://gov.aol.com/2012/04/20/rethinking-infrastructure-funding/>, JMP)

Creating a NIB will not be easy. **But much of the challenge can be mitigated** by increasing funding for an existing program with a long-term vision of reforming the system, rather than setting up a new government agency which would be much more costly and less effective.

Both the U.S. Export-Import Bank and the Overseas Private Investment Corporation (OPIC) have experience in infrastructure lending, internal project screening and approval processes and staff of investment professionals experienced in project finance and related due diligence. Both have a proven track record of being successful in leveraging private investment for large projects, albeit in emerging markets. Housing the NIB under one of those institutions could help jumpstart the U.S-focused infrastructure credit program in a shorter period of time and potentially with a better public reception than setting up a brand new agency.

#### The plan is popular – investor, labor and government support

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Widespread Support and Adoption of Infrastructure Banks

The idea of establishing a national infrastructure bank to facilitate private capital investment in new transportation projects, energy resources, and other types of infrastructure is one that has been adopted by developed countries around the world, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year, most recently in Virginia, where Governor Bob McDonnell signed a new bank into law earlier this year. The proliferation of infrastructure banks shows that they are a widely accepted and proven approach to lowering financing costs and attracting private capital investment for badly needed new projects.

Here in the U.S., there is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. These are the people making decisions every day that drive our country's economic prosperity, and they recognize the huge potential for a bank to help address our investment needs by mobilizing private capital to leverage public funding.

At a Capitol Hill forum held last week by the Progressive Policy Institute, urgent calls for swift action and smarter financing policies came from top executives from Nucor, the nation's largest steel producer; Siemens, a multinational corporation making huge investments in manufacturing, energy, and infrastructure here in the U.S.; Ullico, an insurance company owned and funded by large union pensions; UBS Investment Bank, which advises U.S. and foreign investors on infrastructure financing; and Meridiam Infrastructure, a private-capital fund focused on investing directly in U.S. transportation, water, and energy projects. Both the U.S. Chamber of Commerce and the AFL-CIO have prominently endorsed the bipartisan Senate proposal for a bank that has more recently been adopted in the American Jobs Act.

Although governments, investors, and industry leaders throughout the U.S. and around the world have seen the wisdom and benefits of infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar to many here in Washington. There continues to be a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act.

### AT: Obama Good --- LaHood Pushes

#### LaHood empirically pushes the plan

Wolfe, 12 (5/13/2012, Kathryn A. Wolfe, “Nation's potholes need a big fix,” <http://www.politico.com/news/stories/0512/76254.html>, JMP)

The nation’s population is growing at a steady pace, yet infrastructure investments lag. The lifelines of commerce — roads, bridges, runways, ports — are showing their age, and in this era of fiscal austerity it may be a long time before they get rebuilt.

As Transportation Secretary Ray LaHood likes to say, the nation is “one big pothole.”

While Congress may come to terms in conference on patching up the nation’s transportation wounds, there’s no realistic long-term fix waiting in the wings. The problem — as is the case throughout all modes of transportation — comes down to money. The most plausible possibilities to address the deep shortfalls in gasoline tax revenues that fuel the system won’t happen anytime soon. People are driving less or in more efficient cars — and raising the gas tax is a nonstarter in Washington.

The best-case scenario would be little more than a temporary reprieve, leaving Congress until January to start addressing the problem again. And many believe the administration — whoever is in office — will have to lead the way.

“The aspiration is to get a bill that carries us through the end of the next fiscal year, and then in writing hopefully a new multiyear bill in the next administration,” said James Burnley, former transportation secretary under Ronald Reagan, now a partner with Venable. “If the secretary of transportation is willing and able to provide this kind of leadership, it could make a big difference.”

If President Barack Obama retains the White House, his administration will have to step up its involvement in the legislative details of the transportation bill, which some have criticized as lacking.

Obama’s first substantive policy decision related to the transportation bill after taking office was to push for an 18-month extension instead of getting behind then-House Transportation and Infrastructure Committee Chairman Jim Oberstar’s bill. And though the administration has sketched out the bones of a plan in its past few budgets, it has failed to submit a full legislative proposal for the transportation bill.

“I think the administration does need to be one of the key leaders in this. It’s fair to say they haven’t really exerted that kind of effort to this point,” said Jack Basso, director of program finance and management at the American Association of State Highway and Transportation Officials. “Any bills I’ve dealt with … the administration was always a key player in there and had to be to bring parties together.”

A Department of Transportation spokesman countered the criticism by saying that **LaHood has “led the call for a long-term, bipartisan transportation bill.”**

“For almost two years now, in official hearings and at public events across the country, he has repeatedly called on Congress to pass the president’s transportation budget proposal — a legislative blueprint that supports our specific transportation priorities and is fully paid for,” the agency said.

### --- XT: Bipartisan Support

#### Transportation is bipartisan

Fifield, 11 (8/1/2011, Anna, “US: Obstacles to progress,” <http://www.ft.com/intl/cms/s/0/01ff75ec-bc6c-11e0-acb6-00144feabdc0.html#axzz1x8QG4Ame>, JMP)

Infrastructure should be a promising area for bipartisan compromise, says Ryan McConaghy of the Third Way, a left-leaning think-tank. “For the left it’s a job creator with immediate effects, like FDR’s New Deal or Eisenhower’s highway system. And the business community supports it because it makes investment decisions more attractive.”

Both the labour unions and the Chamber of Commerce, seldom on the same side of an issue, support greater infrastructure spending. The chamber has criticised Mr Mica’s $230bn bill for being too small.

### AT: Elections --- Obama Good

#### Turn – plan follows through on Obama promises – it’s a huge political victory

Gelinas, 11 - a City Journal contributing editor and the Searle Freedom Trust Fellow at the Manhattan Institute (Nicole, “Nation-Building in Washington,” City Journal, Winter

[http://www.city-journal.org/2011/21\_1\_snd-infrastructure.html)//DH](http://www.city-journal.org/2011/21_1_snd-infrastructure.html%29/DH)

There’s little risk to the GOP here, especially as voters wouldn’t see an immediate tax hike. Further, infrastructure is a political winner. When Obama first proposed an infrastructure stimulus two years ago, 85 percent of people thought that “repairing roads and bridges” was “a good idea,” according to a poll by the Wall Street Journal and NBC News. Voters don’t oppose infrastructure spending; they oppose politicians who say they’re going to fix infrastructure and then don’t follow through.

#### Transportation spending is popular with the public – polls

**Treasury Department 12** – along with the Council of Economic Advisers. (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, Department of the Treasury, March 23, 2012, <http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf>, Callahan)

After years of underinvestment in our transportation system, Americans’ satisfaction with our public transit system is middling when compared to public satisfaction with highways and public transit systems around the world. We rank 15 the out of 32 OECD nations with respect to our satisfaction with our roads and highways. We are tied with four other countries at rank 13 (out of 32 OECD nations) with respect to our satisfaction with public transit. 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.

### AT: China Steel Industry DA --- Declining Now

#### Chinese steel industry low now – decreasing demand and steel overcapacity

China Daily, 7/13 – is an English language daily newspaper published in the People's Republic of China (China Daily, “China steel industry downturn to continue in H2”, Steel-Prices China, 7/13/12, <http://www.steelprices-china.com/news/index/2012/07/13/MzY0MTA%3D/China_steel_industry_downturn_to_continue_in_H2.html> | AK)

China Daily quoted according to a leading industry expert that China steel industry, already experiencing a big drop in profits since the turn of the year will continue to face a downturn in the second half as demand remains gloomy and an overcapacity of steel continues. Ms Zhang Lin senior researcher at the Lange Steel Information Research Center said despite government efforts at accelerating the approval of a series of infrastructure construction projects in May, the steel industry will remain firmly in the doldrums for the foreseeable future. She explained that demand will remain depressed and steel prices will stay low for a while maybe even drop slightly in coming months because of the long investment cycle of the planned projects. Ms Zhang said the contradiction between increasing steel output and shrinking demand will lead to high steel inventories, pushing down prices. She said about 70% of the stockpiles are owned by steelmakers. China manufacturing and real estate industries remain weak, leading to lower steel consumption. According to the China Iron and Steel Association, the country produced 296.26 million tonnes of crude steel during the first five months of the year, 6.4 million tons more than in the same period last year and 2.2% growth YoY. The association predicted the average daily output of crude steel in June would be around 1.97 million tons down by 1.4% compared with the previous month but still at a high level. The nation's total steel products inventory reached 15.63 million tons on June 29, 69,600 tons more than the week before, according to market monitoring by the center. The inventories have now been increasing for three successive weeks. Mr Chen Kexin an analyst at the center said the weak market for Chinese steel has depressed the demand for fuel, particularly coal and iron ore, leading to record high port inventories and falling prices of both. Mr Chen estimated that if macroeconomic policies cannot effectively adjust to the current situation, China economy will suffer a hard landing which will seriously affect the commodities market. He predicted that imported iron ore prices will fall to around USD 100 a ton and international oil prices will fall to under USD 70 a barrel in the second half of this year. He said that "Chinese companies should be prepared for a worse situation and risks. He added that other commodities, including nonferrous metals, rubber and oil will also suffer falling demand and prices in the second half. According to customs figures, China imported 346,223 tons of refined copper, alloy and products in June a 73,500 ton reduction compared with the previous month or a drop of 17.51% the lowest level in the past 10 months.

#### The industry’s weak now – market downturn and growing raw material prices

The Epoch Times, 7/7 – is a multi-language, international media organisation. As a newspaper, the Times has been publishing in Chinese since May 2000. It was founded in 1999 by supporters and practitioners of the Falun Gong spiritual discipline (The Epoch Times, “China’s Iron and Steel Industry Meets Difficulty”, The Epoch Times, 7/7/12, <http://www.theepochtimes.com/n2/china-news/chinas-iron-and-steel-industry-meets-difficulty-262009.html> | AK)

In China, the realized profit of large- and medium-sized steel corporations dropped as much as 94.26 percent in the first five months of 2012 compared to last year, according to an insider from the country’s Iron and Steel Association who spoke with state-controlled media Economic Information. A decreasing market price and growing prices for raw materials are the main reason for the downfall of the industry’s profit, the insider said to Economic Information. According to the statistics given by the association, the overall profit for the 80 iron and steel enterprises marked by the government as “focal enterprises” for production experienced a 2.05 percent decrease in sales income in May 2012 compared to May 2011. “The main problem is that the market is experiencing a downturn as a whole. As a result, the manufacturing industry is not doing so well,” said a managing director of Hunan province’s Hualing Xiangtan Iron Limited. He said that his company has started to lay off excess staff and take back production tasks that were once given to small companies. Hualing Xiangtan is a large iron and steel production enterprise established in 1958, and currently has over 180,000 employees.

#### More evidence – decreasing demand means Chinese steel is low now

Lian\* and Subler\*\*, 7/12 – \*Chinese correspondent at Reuters, AND \*\*Shanghai Bureau Chief at Reuters News (Ruby Lian and Jason Subler, “UPDATE 1-China's Baosteel cuts main steel product prices for August”, Reuters, 7/12/12, <http://www.reuters.com/article/2012/07/12/baosteel-price-idUSL3E8IC29J20120712> | AK)

SHANGHAI, July 12 (Reuters) - China's biggest listed steelmaker, Baoshan Iron & Steel, will cut August prices of its main products by 4.6 percent to 5.6 percent, after its first reduction in 2012 this month, suggesting the company lacks confidence in the market near-term. Baosteel's pricing decisions are generally regarded as a bellwether for the industry. While demand generally weakens in China's hot summer months as construction projects slow, sluggish economic growth and a fragile global economy are putting particular pressure on the company this year. China's steel industry is expected to see low demand in July and August until a seasonal pickup in September, and expectations of more efforts by Beijing to boost the economy are unlikely to provide an immediate boost to steel prices, analysts say. "The July-August period could see a bottoming out, given demand remains tepid," said Hu Zhengwu, an analyst with China industry consultancy Custeel.com. "It'll take time for Beijing to approve and place money into more infrastructure projects, while there may not be as many construction projects as we had expected," he added. Shanghai-based Baosteel will slash hot-rolled coil prices by 200 yuan ($31) per tonne and cold-rolled coil prices by 260 yuan ($41) per tonne for August bookings. The shaky global economy and slumping domestic growth are hammering Chinese companies, leading to a series of profit warnings by firms ranging from steelmakers to airlines. Angang Steel Co Ltd estimated a net loss of around 2 billion yuan ($309 million) in the first half of 2012, mainly due to slumping steel prices.

#### No uniqueness – the Chinese steel industry’s cooling off now

Reuters, 7/20 – the world’s leading source of intelligent information for businesses and professionals (Reuters News, “China's Wuhan Steel Group slashes profit target”, Reuters, 7/20/12, <http://www.reuters.com/article/2012/07/20/china-wuhansteel-profits-idUSL4E8IK0I620120720> | AK)

(Reuters) - China's Wuhan Iron & Steel Group has nearly halved its profit target for this year, a newspaper reported on Friday, providing further evidence that the world's largest steel industry is unlikely to see a significant pick up in demand later this year. With little prospect of a recovery in steel demand as the world's second-biggest economy cools, China steel futures hit contract lows this week, while spot iron ore prices .IO62-CNI=SI have also sagged to their weakest since November. The company, group parent of Wuhan Iron & Steel, is slashing its profit target to 1.6 billion yuan ($251.04 million) from 3 billion yuan for this year, after making 3.5 billion yuan of profit last year, the 21st Century Business Herald said, citing president Deng Qilin. Wuhan Steel Group, China's fourth-largest steel producer, earned 98.9 billion yuan of revenue in the first half, the paper added. A number of Chinese steel mills have fallen into the red in the first half or seen net profit more than halved due to tepid demand and sharp decline in prices. State-owned Hebei Steel said its fist-half profit fell 60-90 percent from a year ago, while Angang Steel Co Ltd estimated a net loss of around 2 billion yuan. ($1 = 6.3734 Chinese yuan)

### AT: China Steel Industry DA --- Chinese Economy Declining Now

#### Chinese economy low now

New Straits Times, 7/19 – is an English-language newspaper published in Malaysia (New Straits Times, “Calls for reforms as economy slows”, New Straits Times, 7/19/12, <http://www.nst.com.my/opinion/columnist/calls-for-reforms-as-economy-slows-1.109575> | AK)

WHOEVER sees the half-year report on China's economy last Friday, whether they be policymakers or economists, would not view the figures as a glowing result for the world's second-largest economy. Gross domestic product (GDP) in China expanded 7.6 per cent year-on-year in the second quarter, easing below eight per cent for the first time in three years and marking the sixth quarterly decline in a row, according to the National Bureau of Statistics (NBS). The GDP data in the second quarter took Chinese economic growth in the first six months to 7.8 per cent year-on-year, which still surpassed the government target of 7.5 per cent for the full year. To some analysts, the slowest growth pace in three years showed China is facing increased risks of a hard landing. But Sheng Laiyun, the spokesman for the NBS, said the 7.6 per cent rate was "a fairly good speed" compared with other major world economies, and he was "full of confidence" about the prospects of China's economy. Optimists consider the Chinese economy bottomed out in the second quarter, but the country still needs to continue reforms to solve problems that make its current development pattern unbalanced, uncoordinated and unsustainable. "China must ensure its GDP growth does not drop below seven per cent, otherwise high unemployment and other deeply-rooted social problems will emerge," said Wei Jie, a professor at Tsinghua University School of Economics and Management in Beijing. However, Wei himself opposed any massive stimulus such as the size of the 4 trillion yuan (RM2 trillion) in 2009 to stabilise growth in the world's second largest economy since the bailout of the economy through massive stimulus "will only postpone problems and miss the opportunity to restructure the Chinese economy". Responding to the current economic slowdown, the State Council, or China's cabinet, adopted new measures encouraging private companies to invest in sectors such as banking, energy and transport -- which are currently dominated by state-owned companies. The People's Bank of China (PBOC), the central bank, even announced a surprise rate cuts twice in a month, slashing the banks' benchmark one-year borrowing and lending rates by 50 and 56 basis points, respectively. Pan Xiangdong, chief economist with Galaxy Securities, said the slowing GDP growth has outweighed inflation as the top concern for Chinese policymakers. To stabilise growth in the short term, Pan said, China needs to rely on investment again, as exports are easily affected by the sluggish external demand while a significant increase in consumption will take time. Investment, exports and consumption are the three major drivers of growth in the Chinese economy. According to the NBS data, investment accounted for about two-thirds of China's GDP in the first half of this year. Pan said China needs to speed up reforms in the transfer of land use rights, the resident registration system as well as systems concerning pension, insurance and education that check the country from rapid economic growth. "What we are concerned about is the possible overreaction from policymakers," said Li Daokui, a former monetary policy adviser to the PBOC. Li said the existing measures aimed at maintaining growth were enough to help China achieve a U-type rebound this year. Since 2008, China's macroeconomic policies have shifted between stimulus and tightening several times, indicating the difficulty for economic restructuring in the world's second-largest economy, which used to rely heavily on government spending, the property sector and labour-intensive exporting industries for rapid growth. But the lingering European sovereign debt crisis and a fragile US economic recovery have significantly brought down external demand for Chinese goods and services this year, while an aging population and rising labour costs at home also slackened the process of China's "transformation of economic growth pattern". "The Chinese economy needs to increase in its effectiveness, rather than just the size," said Cao Yuanzheng, chief economist with the Bank of China. "What matters is whether China can successfully restructure its economy and make it more effective and of better quality." Wu Xiaoqiu, president of the Financial and Securities Institute of Renmin University of China, said China has to get used to slower growth as the country shifts itself from an investment-driven economy to a consumption-driven one. "China will see its growth ease to seven to eight per cent by 2020 and slow further to around five per cent after 2020." Even though their minds may vary on the short-term economic outlook, many Chinese economists are pressing policymakers to accelerate reforms to eliminate the problems troubling the world's second-largest economy. "In a time of stalling domestic and external demands, I can understand why the government has resorted to investment for short-term growth again. But reforms are important," said Liang Youcai, chief economist of China Economic Information Network. "Of all structural imbalances, the income distribution is the most outstanding, thus we need to speed up reforms in this regard and break monopoly and reduce restriction to promote the long-term development of the economy."

#### Chinese economic collapse is inevitable – investment bubbles and plummeting demand

Wagner\* and Woo\*\*, 7/15 – \*is CEO of Country Risk Solutions, a cross-border risk consulting firm based in Connecticut (USA), and author of the new book "Managing Country Risk", AND \*\*is Standing Director of the Beijing New Century Research Institute (Daniel Wagner and Dee Woo, “China's Coming Great Deleveraging”, The Huffington Post, 7/15/12, <http://www.huffingtonpost.com/dee-woo/china-economy-deleveraging_b_1674951.html> | AK)

This past week's release of China's second quarter GDP growth number - at 7.6% - was viewed as an ominous sign of the future direction of the global economy by some pundits, while others see the Chinese government's stimulus measures as a hopeful sign that its economic growth will be higher in the second half of the year. It is important to understand that the root cause of the decline in China's economic growth this year is not the trouble in Europe or funk of the global economy, but rather the unsustainable economic bubbles that have been created by the government, and the collapsing demand that has accompanied it. The central bank's latest tap dance won't fix that. Central banking maneuvering can at best serve to sustain the over-leveraged economy and avoid a systematic short-circuit of debt financing for now. There won't be much liquidity invested in lending capacity or job creating projects, since there is insufficient demand, so the economic return on credit will deteriorate. If these structural deficiencies aren't properly addressed by the central government - and soon - the longer term deterioration of the Chinese economy can only continue. The inevitable chain reaction will accelerate, and China will face its economic end game. To gauge how just how far the health of China's economy has deteriorated, look no further than how aggressive China's central bank - the People's Bank of China (PBOC) - has been acting of late. On 5th July, the Bank cut benchmark interest rates for the second time in less than a month. In December 2011, the PBOC cut the reserve requirement ratio (RRR) by 50 basis points (bp), to 21%, followed by a further 50 bp cut in February and another 50 bp cut in May - to the current 20%. Apart from all the rate cuts, the PBOC also made its biggest injection of funds into the money markets in nearly six months, injecting a net 225 billion yuan (US$34.5 billion) through the reverse-repurchase operations (repo) last week, which followed a combined injection of 291 billion yuan in the previous four weeks.

### AT: Federalism DA

#### **National bank won’t place new burdens on States --- net reduction in federal bureaucracy**

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Misconceptions About the National Infrastructure Bank

As the unavoidable costs of repairing and maintaining our nation's infrastructure climb into the trillions of dollars, the time has come for a clear-eyed look at how a national bank might be one piece of a multi-pronged approach to making the investments we need. Doing that means we need to put aside polarizing rhetoric from both sides and talk frankly about what a national infrastructure bank is, and what it is not.

The driving motivation behind the national infrastructure bank is twofold. First, the financing offered by the bank would provide an additional tool for reducing the costs of new projects and attracting private capital to share in the risks and expenses of these investments. The bank would be an optional tool available to states and local governments and for federally-sponsored projects like NextGen Air Traffic Control. Second, the bank's evaluation and financing of projects would be a transparent and predictable process, staffed by professional finance experts and guided by clearly defined, merit-based criteria. This would ensure that at least some portion of our public investment decisions would focus on projects that will generate economic benefits and enhance competitiveness at a national or regional level.

Many of the arguments for a national infrastructure bank are the same as those made in favor of state banks, and even for existing credit programs like TIFIA, both of which have been supported by members of this Committee on both sides. The objection to creating a national bank as somehow inferior to supporting state infrastructure banks seems to rest on the claim that a national bank would impose new burdens on states and shift decision making from state officials to Washington bureaucrats. Neither of these objections is accurate.

In spite of the suggestion built into the title of today's hearing, my hope is that the members of the Subcommittee will be open to considering the ways in which a national infrastructure bank could actually reduce red tape for states, and possibly even shrink the regulatory footprint of federal bureaucracy in the landscape of project finance activity nationwide.

If properly implemented, an independent bank could actually reduce regulatory burdens imposed by existing federal programs, by establishing a project selection and financing process that is focused on the economic merits of investments, rather than the myriad regulatory and policy'goals pursued by different bureaucratic silos in executive branch departments. Whether every existing federal mandate and regulation should be attached to infrastructure bank financing is a policy choice to be debated for any bank legislation, but it is also a collateral issue that need not disqualify the bank as a financing option.

#### A national bank benefits the states – improvements in funding and regulation

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #4: A national infrastructure bank would shift more decision making to Washington and out of the hands of states.

Reality: A properly structured national infrastructure bank would not be a monolithic central-planning authority that would tie states' hands and impose its judgment on state funding priorities. To the contrary, a well designed bank would empower states by giving them a new option to pursue low-cost financing of projects of their own choosing, and it would provide them the opportunity to benefit from large-scale projects that cross state borders or that may be too expensive or unwieldy for states to execute alone. In this way, a national bank could complement state infrastructure banks and Highway Trust Fund allocations, and it could also avoid the kind of frustration states have now over the failure of Congress to pass long-term reauthorization bills.

Myth #5: Financing offered by a national infrastructure bank would just mean more red tape and increased costs for state and local projects.

One of the goals of the infrastructure bank is to professionalize the government's approach to project finance and selection decisions, by creating an alternative to existing bureaucratic and political decision making. Most of the bank proposals, particularly the bipartisan BUILD Act, are designed specifically to replace red tape with black-and-white economic decisions. By making the bank independent of executive branch political agendas, we may also reduce the regulatory strings that are so often tied to federal infrastructure funding.

Whether specific federal mandates and regulations are attached to infrastructure bank financing is a policy choice to be debated for any bank legislation, but it is a collateral issue that should not disqualify the bank as an option for Congress to consider.

### 2ac States CP

#### A federal bank creates a mechanism to finance national projects that transcend state and metro boundaries --- State infrastructure bank procedures make them ineffective

Puentes, 11 --- Senior Fellow, Brookings Metropolitan Policy Program (9/9/2011, Robert, “Obama's Plan a Chance to Get Strategic on Infrastructure,” <http://www.tnr.com/blog/the-avenue/94771/obamas-plan-chance-get-strategic-infrastructure>, JMP)

The focus on infrastructure in President Obama’s jobs speech was much-anticipated and necessary. While much the attention is on increasing funding for fixing roads and bridges, the president also reiterated the call to improve the way the federal government invests in infrastructure. (“No more earmarks. No more boondoggles. No more bridges to nowhere.”) He also called for the kind of transformative infrastructure investments that made the U.S. an economic superpower. One way to do that is through a national infrastructure bank.

A quasipublic entity like the Tennessee Valley Authority or Amtrak, the bank would make loans to fund transportation projects that were important to the nation as a whole. It would have to not only further policy goals, as a federal agency would, but also demand from project sponsors the same assurances and rate of return that a bank would. While not a panacea, if appropriately designed and with sufficient political autonomy, it could improve both the efficiency and effectiveness of future infrastructure projects of truly national significance.

That last part is important. Today we do not really have a mechanism to focus on investments that truly **matter to the nation as a whole or that transcend state and metro boundaries**. Think global ports to boost American exports, long-haul transmission lines for renewable energy, or a build-out of electric vehicle recharging infrastructure.

After the speech, some Congressional Republicans rightly pointed out that we already have infrastructure banks operating within 33 states. No doubt these state infrastructure banks (SIBs) are important and, since 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for transportation projects.

Most of this support comes in the form of below-market 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.

The problem is that, rather, than bringing the tough, merit-based approach, SIBs generally do not filter projects through a competitive application process. A better approach would be for states to make their SIBs more strategic and more nimble than a typical appropriation process and as a **complement to existing state, metro, and federal transportation funding and financing**. Projects should be evaluated according to strict return on investment criteria, not selected with an eye towards spreading funding evenly across the state.

States should also think beyond just transportation and create true infrastructure and economic development banks to finance not just roads and rails, but also energy and water infrastructure, perhaps even school and manufacturing development. California’s Infrastructure and Economic Development Bank (“I-Bank”) provides a compelling model. After its initial capitalization of $181 million in 1999, the I-Bank has funded itself on interest earnings, loan repayments, and other fees, and has supported over $400 million in loans.

The bottom line is that **either/or debates about a national or state infrastructure bank is a false choice. Both are needed but for different reasons.**

#### National bank key to provide technical assistance and expertise to states

Puentes, 12 --- Senior Fellow, Metropolitan Policy Program at Brookings (7/16/2012, Robert, “What Would an Infrastructure Bank Really Do?” <http://www.tnr.com/blog/the-avenue/105017/what-would-infrastructure-bank-really-do>, JMP)

The fourth point is that an NIB would provide technical assistance and expertise to states and other public entities that cannot develop internal capacity to deal with the projects themselves. Some of the most potentially transformative investments are inherently complex and require a mix of investors from all levels of government, across different federal programs, combined with the private sector, and even from other nations' sovereign wealth funds. Expertise to consider such deals and fully protect the public interest is paramount.

#### Lack of expertise, patchwork and economy swings tank solvency

HALLEMAN, 11 – Business graduate with analytical and program management experience across a range of transportation and infrastructure issues; Head of Communications & Media Relations at International Road Federation (Brendan, “Establishing a National Infrastructure Bank – examining precedents and potential”, October 2011,http://issuu.com/transportgooru/docs/ibank\_memo\_-\_brenden\_halleman)//MM

These State-driven arrangements warrant a number of observations:¶

 The more active SIB States are those that have increased the initial capitalization of their banks through a combination of bonds and sustained State funding. South Carolina’s Transportation Infrastructure Bank receives annual amounts provided by State law that include truck registration fees, vehicle registration fees, one-cent of gas tax equivalent, and a portion of the electric power tax. Significantly, all SIBs have benefited from the ability to recycle loan repayments – including interest and fees – into new infrastructure projects, a facility currently not available to the American Infrastructure Financing Authority under the terms of the BUILD Act.¶

 More than 87 percent of all loans from such banks made through 2008 were concentrated in just five States: South Carolina, Arizona, Florida, Texas and Ohio14. As a case in point, South Carolina’s Transportation Infrastructure Bank has provided more financial assistance for transportation projects than the other 32 banks combined. Most State banks have issued fewer than ten loans, the vast majority of which fall in the USD 1-10 million size bracket14. This suggests that not all States presently have experience, or the ability, to deal with capital markets for large-scale funding.¶

 States are, by and large, left to define specific selection criteria for meritorious projects, the SIB’s share of the project as well as the loan fee it will charge. Kansas, Ohio, Georgia, Florida and Virginia have established SIBs without Federal-aid money and are therefore not bound by the same Federal regulations as other banks. California’s Infrastructure and Economic Development Bank extends the scope of eligible projects to include water supply, flood control measures, as well as educational facilities. While adapted to local circumstances, this patchwork of State regulations can also constitute an entry barrier for private equity partners and multistate arrangements.¶

 Given the structure of their tax base, SIBs are vulnerable to short term economy swings as well as the longer term inadequacy of current user-based funding mechanisms. SIBs borrow against future State and highway income. Many States are already reporting declining gas tax revenues and, on current projections, the Highway Trust Fund will see a cumulative funding gap of USD 115 billion between 2011 and 202118. It is notable that Arizona’s Highway Extension and Expansion Loan Program is currently no longer taking applications citing “state budget issues”.¶

Lastly, two major pieces of legislation affecting the capitalization of SIBs are currently in the Congressional pipeline. An outline19 of the House Committee on Transportation & Infrastructure’s draft re-authorization legislation proposes increasing to 15% the level of federal-aid highway funding that States can devote to their SIBs. An unrelated Senate proposal to rekindle the Build America Bond program7 includes a provision to allocate up to USD 50 billion over six years in US Treasury bonds across the State Infrastructure Banks.¶

#### Federal bank is key to multi-jurisdictional projects --- States and local governments can’t effectively coordinate

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

The Potential of a National Infrastructure Bank

If correctly structured, an NIB may introduce a federal investment process that requires and rewards performance, with clear accountability from both recipients and the federal government. There are several advantages:

Better selection process. At its heart, an NIB is about better decisionmaking of infrastructure projects. The bank would lend or grant money on a project basis, after some type of benefit/cost analysis. In addition, the projects would be of national or regional significance, transcending state and local boundaries. The bank would consider different types of infrastructure projects, breaking down the modal barriers. This would be a giant step from the current federal funding for infrastructure, most of which is disbursed as federal aid transportation grants to states in a siloed manner.

Multi-jurisdictional projects are largely neglected in the current federal investment process in surface transportation, due to the insufficient institutional coordination among state and local governments that are the main decisionmakers in transportation. **The NIB would provide a mechanism to catalyze intergovernmental cooperation and could result in higher rates of return compared to the localized infrastructure projects.**

An NIB would need to articulate a clear set of metropolitan and national impact criteria for project selection. Impact may be assessed based on estimated metropolitan multipliers of the project. This criterion would allow the bank to focus on the outcomes of the projects and not get entangled in sector specific standards. Clear evaluation criteria would go a long way, forcing the applicants, be it states, metros or other entities, to have a baseline of performance. This change, by itself, would be a **major improvement for the federal investment process**, given that a major share of the federal infrastructure money goes to the states on a formula basis, without performance criteria.

#### State procedures undercut their financing programs

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

State-Funded SIBs

Several states—Kansas, Ohio, Georgia, Florida and Virginia—have established SIBs using only state funds. This also allows them to do projects “off the highway,” including helping local governments pay for 100-percent local projects. For example, Ohio’s state-funded SIB is authorized to fund “any public or private transportation project as determined by the director of transportation,” including public transit, aviation, rail, tunnels or parkways.30 Kansas found that its federally-funded SIB couldn’t fund the projects that its rural population needed. “We can cover huge projects or a small community,” said the manager of the state-funded Kansas Transportation Revolving Fund.31 The Ohio state-funded SIB manager notes that her institution “has assisted every transportation mode except a water project since its creation.”32 However, even with a state-funded SIB, selection criteria or requirements for local matching dollars can stunt interest in the financing program; for example, Georgia’s requirement that only projects that can be funded by the motor fuels tax can qualify33 means that in the spring of 2011, three years after establishing its SIB, Georgia had made only one loan and had more than $30 million in transportation funds sitting idle.34 In order for a state-funded SIB to consider the greatest number of projects, advocates may want to recommend enabling legislation that blends a variety of funding sources to ensure flexibility.

#### States are at borrowing limits

Snyder, 11--- Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio (10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

Democrats support infrastructure bank — reluctantly

Democrats agreed that TIFIA should be expanded but said that it should be a complement, not a replacement, for the I-bank. Democratic support for the bank was sometimes tepid, though. Even Senate EPW Chair Barbara Boxer has been known to support expanding TIFIA instead of an infrastructure bank. At the hearing this month, Rep. Peter DeFazio, top Democrat on the Highways and Transit Subcommittee, confessed:

 Before Wall Street destroyed the economy, I had said, well, I really don’t see why we need an infrastructure bank. Most of the states have good credit and they can go out and borrow on their own at very good rates.

 But that isn’t the case anymore. The states need guarantees. They need help. **Many are against their borrowing limits**. And most of the banks, who were generously bailed out by Congress, aren’t lending. And credit bond markets are tight. So an infrastructure bank could be more useful for the states in that circumstance.

#### State deficits make a national bank necessary

Leach, 11 (1/31/2011, Peter T., Journal of Commerce Online, “Infrastructure Pandemic,” Factiva, JMP)

**\*\*\* CG/LA is a Washington, D.C.-based infrastructure consulting firm**

The lack of public sector leadership is particularly acute in the United States. CG/LA asked infrastructure experts around the world to rate the leadership capabilities of their countries in infrastructure. “The U.S. does not rate well,” Anderson said.

As a result, public sector infrastructure spending in the U.S. fell from 3 percent of GDP in 1980 to the 1.3 percent range by 2009. In 1980, approximately 70 percent of investment in infrastructure derived from the federal government, but by 2009, that figure had been reversed, with states funding the bulk of investment.

By 2010, **46 states were operating at a deficit, making it unlikely they can shoulder the burden**. CG/LA questioned whether the Obama administration wants to facilitate infrastructure development or whether there is an ideological bias against investment. To remedy this, CG/LA called for creation of a National Infrastructure Bank.

#### A national program can enhance State banks

Lemov, 12 (3/1/2012, Penelope, “A Bank for Infrastructure Funding; Legislation moving through Congress could help states and localities finance public works projects,” <http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html>, JMP)

Like TIFIA, the state bank is for transportation only. The program's been around since the Clinton administration and has never taken off as a national program. That said, an expanded state infrastructure bank program could use national infrastructure bank programs to enhance its own financing.

#### State and local efforts alone aren’t enough --- they want federal efforts

Corless, 12 --- Campaign Director, Transportation for America (5/23/2012, James, “Local Voters Need a Partner,” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

As the prompt suggests, local governments, businesses and voters are indeed feeling urgency about the state of our infrastructure amid the confusion emanating from Washington. As if to demonstrate just how serious they are about the issue, citizens across the political spectrum are voting to spend their money on transportation – despite an ongoing a fiscal crisis and the anti-government rhetoric that permeates political discourse.

Absent strong federal leadership, states, cities and local communities are indeed stepping out on their own, raising funds from innovative sources, and doing what they can to make it happen.

But left to shoulder the burden entirely alone, these communities’ noble efforts won’t be enough to meet the challenges we’re facing. These communities are stepping forward, **but in the hopes that the federal government will take the next step with them and support them along the way.**

The role for the federal government in transportation is indeed changing, evolving from being the driving factor that it was during the interstate era to being more of a partner in helping localities meet their changing needs. And their needs are a national concern, because they bear on whether Americans have a safe, reliable way to get to work, and whether goods can get to market. No developed nation in the world leaves these matters of basic infrastructure entirely to chance.

But there seems little doubt that, for the foreseeable future, federal resources will be constrained, and that makes it more imperative than ever that we set goals for the investment, and measure progress toward those goals. That’s why provisions to do that in the Senate’s bipartisan transportation bill, MAP-21 bill are so important.

It’s time we figure out what matters most, and what will get the best bang for the buck.

Local communities raising money for transportation are following a tried-and-true blueprint that rewards accountability and specificity: When they know what transportation dollars are going to buy — this new transit line, that new busway, this new bridge project — and who is accountable for implementation, measures to fund those projects pass close to 70 percent of the time.

Such was the case with the transit-funding Measure R in Los Angeles, which earned a two-thirds majority vote. Having passed the tax, Los Angeles is now seeking federal help with low-cost loans that can build 30 years worth of projects in 10. Local bootstraps are great for getting off the ground, but they only get you so far up the ladder if the federal rung is missing.

**These innovators aren’t pressing for “devolution,” they’re simply looking for a dance partner.**

### 2ac States CP --- Long Halleman Ev

#### Only federal action solves

HALLEMAN, 11 – Business graduate with analytical and program management experience across a range of transportation and infrastructure issues; Head of Communications & Media Relations at International Road Federation (Brendan, “Establishing a National Infrastructure Bank - examining precedents and potential”, October 2011, <http://issuu.com/transportgooru/docs/ibank_memo_-_brenden_halleman>)

The merits of establishing a National Infrastructure Bank are once again being debated in the wake of President Obama’s speech to a joint session of the 112th United States Congress and the subsequent introduction of the American Jobs Act 1 .

A review of the Jobs Act offers a vivid illustration of how far the debate has moved under the Obama Administration. Earlier White House budgets had proposed allocating USD 4 billion as seed funding to a National Infrastructure Innovation and Finance Fund tasked with supporting individual projects as well as “broader activities of significance”. Offering grants, loans and long term loan guarantees to eligible projects, the resulting entity would not have constituted an infrastructure bank in the generally accepted sense of the term. Nor would the Fund have been an autonomous entity, making mere “investment recommendations” to the Secretary of Transportation2 .

Despite a number of important alterations, the Jobs Act contains the key provisions of a bipartisan Senate bill introduced in March 20113 establishing an American Infrastructure Financing Authority (AIFA). Endowed with annual infusions of USD 10 billion (rising to USD 20 billion in the third year), the Authority’s main goal is to facilitate economically viable transportation, energy and water infrastructure projects capable of mobilizing significant levels of State and private sector investment. The Authority thus established:

 is set up as a distinct, self-supporting entity headed by a Board of Directors requiring Senate confirmation

 offers loans & credit guarantees to large scale projects with anticipated costs in excess of USD 100,000,000

 extends eligible recipients to corporations, partnerships, trusts, States and other governmental entities

 subjects loans to credit risk assessments and investment-grade rating (BBB-/ Baa3 or higher)

 conditions loans to a full evaluation of project economic, financial, technical and environmental benefits

 caps Federal loans at 50% of anticipated project costs

 requires dedicated revenue sources from recipient projects, such as tolls or user fees

 sets and collects loan fees to cover its administrative and operational costs (with leftover receipts transferred

to the Treasury)

Particularly striking are the layers of risk assessment contained in the BUILD Act. These translate into a dedicated risk governance structure with the appointment of a Chief Risk Officer and annual external risk audits of AIFA’s project portfolio. At project level, applicants are required to provide a preliminary rating opinion letter and, if the loan or loan guarantee is approved, the Authority’s associated fees are modulated to reflect project risk. Lastly, as a Government-owned corporation, AIFA is explicitly held on the Federal balance sheet and is not able to borrow debt in the capital markets in its own name (although it may reoffer part of its loan book into the capital markets, if deemed in the taxpayers’ interest).

Rationale

As a percentage of GDP, the United States currently invests 25% less on transportation infrastructure than comparable OECD economies 4 . There is broad agreement that absent a massive and sustained infusion of capital in infrastructure, the backlog of investment in new and existing transportation assets will hurt productivity gains and ripple economy-wide5

The establishment of AIFA is predicated on a number of market considerations

Dwindling demand for municipal bonds, resulting in significantly decreased capacity to invest at the State and local level. This scenario is confirmed by recent Federal Reserve data 6 indicating a sharp drop in the municipal bond market for the first two quarters of 2011 despite near-identical ten-year yields, a trend that can partly be explained by record-level outflows prior to the winding down of the Build America Bonds program on 31 December 20107 . Considering that roughly 75% of municipal bond proceeds go towards capital spending on infrastructure by states and localities 8 , this shortfall amounts to USD 135 billion for the first six months of 2011 alone.

Insufficient levels of private sector capital flowing in infrastructure investments. Despite the relatively stable cash flows typically generated by infrastructure assets, less than 10% of investment in transportation infrastructure came from capital markets in 2007 8 . By some estimates 9 , the total equity capital available to invest in global infrastructure stands at over USD 202 billion and investor appetite remains strong in 2011. Federal underwriting may take enough of the risk away for bonds to achieve investment grade rating on complex infrastructure programs, particularly if they protect senior-level equity against first loss positions and offer other creditor-friendly incentives. For instance, the planned bill already includes a “cash sweep” provision earmarking excess project revenues to prepaying the principal at no penalty to the obligor.

Convincing evidence across economic sectors that Federal credit assistance stretches public dollars further 10 . The Transportation Infrastructure Finance and Innovation Act (TIFIA) already empowers the Department of Transportation to provide credit assistance, such as full-faith-and-credit guarantees as well as fixed rate loans, to qualified surface transportation projects of national and regional significance. It is designed to offer more advantageous terms and fill market gaps by cushioning against revenue risks (such as tolls and user fees) in the ramp up phase of large infrastructure projects. A typical project profile would combine equity investment, investment-grade toll bonds, state gas tax revenues and TIFIA credit assistance to a limit of 33%. TIFIA credit assistance is scored by the Office of Management and Budget at just 10%, representing loan default risk. In theory, a Federal outlay of just USD 33 million could therefore leverage up to USD 1 billion in infrastructure funding 11 . To date, 21 projects have received USD 7.7 billion in credit assistance for USD 29.0 billion in estimated total project cost 12.

32 States (and Puerto Rico) currently operate State Infrastructure Banks (SIBs) offering an interesting case study for the American Infrastructure Financing Authority. Moreover the BUILD Act explicitly authorizes the Authority to loan to “political subdivisions and any other instrumentalities of a State”, such as the SIBs.

SIBs were formally authorized nationwide in 2005 through a provision of the SAFETEA-LU Act 13 to offer preferential credit assistance to eligible and economically viable surface transportation capital projects. A provision of the Act also authorizes multistate Banks, although such cooperative arrangements have yet to be established.

SIBs operate primarily as revolving loan funds using initial capitalization (Federal and state matching funds) and ongoing funding (generally a portion of state-levied taxes) to provide subordinated loans whose repayments are recycled into new projects loans. Where bonds are issued by SIBs as collateral to leverage even greater investment capacity, these can be secured by user revenues, general State revenues or backed against a portion of federal highway revenues. As of December 2010, State Infrastructure Banks had entered into 712 loan agreements with a total value of over USD 6.5 billion12.

While SAFETEA-LU provided a basic framework for establishing SIBs, each State has tailored the size, structure and focus of its Bank to meet specific policy objectives. The following table14 illustrates the scales of SIBS at the opposite end of the spectrum.

These State-driven arrangements warrant a number of observations:

The more active SIB States are those that have increased the initial capitalization of their banks through a combination of bonds and sustained State funding. South Carolina’s Transportation Infrastructure Bank receives annual amounts provided by State law that include truck registration fees, vehicle registration fees, one-cent of gas tax equivalent, and a portion of the electric power tax. Significantly, all SIBs have benefited from the ability to recycle loan repayments – including interest and fees – into new infrastructure projects, a facility currently not available to the American Infrastructure Financing Authority under the terms of the BUILD Act.

More than 87 percent of all loans from such banks made through 2008 were concentrated in just five States: South Carolina, Arizona, Florida, Texas and Ohio 14 . As a case in point, South Carolina’s Transportation Infrastructure Bank has provided more financial assistance for transportation projects than the other 32 banks combined. Most State banks have issued fewer than ten loans, the vast majority of which fall in the USD 1-10 million size bracket 14 . This suggests that not all States presently have experience, or the ability, to deal with capital markets for large-scale funding.

States are, by and large, left to define specific selection criteria for meritorious projects, the SIB’s share of the project as well as the loan fee it will charge. Kansas, Ohio, Georgia, Florida and Virginia have established SIBs without Federal-aid money and are therefore not bound by the same Federal regulations as other banks. California’s Infrastructure and Economic Development Bank extends the scope of eligible projects to include water supply, flood control measures, as well as educational facilities. While adapted to local circumstances, this patchwork of State regulations can also constitute an entry barrier for private equity partners and multistate arrangements.

Given the structure of their tax base, SIBs are vulnerable to short term economy swings as well as the longer term inadequacy of current user-based funding mechanisms. SIBs borrow against future State and highway income. Many States are already reporting declining gas tax revenues and, on current projections, the Highway Trust Fund will see a cumulative funding gap of USD 115 billion between 2011 and 2021 18 . It is notable that Arizona’s Highway Extension and Expansion Loan Program is currently no longer taking applications citing “state budget issues”.

### 2ac States CP --- Unconstitutional

#### Only the plan is constitutional

AGC, 11 (5/19/2011, The Associated General Contractors of America, “THE CASE FOR INFRASTRUCTURE & REFORM: Why and How the Federal Government Should Continue to Fund Vital Infrastructure in the New Age of Public Austerity,” <http://www.agc.org/galleries/news/Case-for-Infrastructure-Reform.pdf>, JMP)

PART I: INVESTING IN INFRASTRUCTURE IS A FEDERAL RESPONSIBILITY

With a growing political consensus in Washington for the need to cut federal spending to rein in federal deficits and the national debt, officials will increasingly need to decide between supporting programs that are in the federal interest and those that should more properly be handled at the state and local level.

One area where this question is likely to arise is federal investments in infrastructure, including highways, transit systems, airports, dams, levees, federal buildings and drinking & wastewater systems. Some are likely to wonder why federal taxpayers should help subsidize financing for drinking water in Louisville, pay into a pool of funds that will add new highway capacity in Richmond, or use general treasury funds to prevent flooding and speed barge traffic by improving locks along the Ohio River.

The answer is that it is clearly in the national interest to invest in infrastructure. For example, there is a clear, constitutionally defined federal role for supporting interstate commerce by investing in transportation infrastructure. Likewise, there is a strong argument to be made that the federal government has a vital role to play in maintaining our national economic security by investing in the infrastructure that is vital to commerce.

Indeed, the Constitution is quite clear that it is the responsibility of the federal government to facilitate interstate commerce. Today, the vast majority of that interstate commerce travels on America’s vast, interconnected network of highways, airports and waterways. That means that if Congress and the Administration want to fulfill their Constitutional obligation to facilitate interstate commerce, they must continue to make the investments needed to maintain sufficient quality and capacity along our interstate highway network, our waterways and ensure the safety of air travelers.

#### Decision rule --- reject all violations of the constitution

Carter, 87(Stephen Carter, Brigham Young University Law Review, No. 3, 1987 p. 751-752)

The constitution, which is after all a species of law, is thus quite naturally viewed as a potential impediment to policy, a barrier that must be adjusted, through interpretation or amendment, more often than preservation of government under that constitution is viewed as a desirable policy in itself.  In this modern student of policy is like the modern moral philosopher-and like a good number of constitutional theorists as well-in denigrating the value of preserving any particular process and exalting the desirable result.  But constitutionalism assigns enormous importance to process, and consequently assigns costs, albeit perhaps intangible ones, to violating the constitutional process.  For the constitutionalist, as for classical liberal democratic theory, the autonomy of the people themselves, not the achievement of some well-intentioned government policy, is the ultimate end for which the government exists.  As a consequence, no violation of the means the people have approved for pursuit of policy--here, the means embodied in the structural provisions of the Constitution--can be justified through reference to the policy itself as the end.  Somewhere between the totalitarian horror of a society driven entirely by its zeal to achieve stated ends, and Grant Kilmore's Kafkaesque evocation of a society so bound up in the forms of law that it becomes a living hell, drifts the moderately progressive American constitutional ideal.  I am not at all sure that we best pursue it by freeing our legislature entirely from the bonds of constitutionalism, trusting to nothing but the independent and largely unguided judgement of the courts to decide when the legislature goes too far.

### 2ac States CP --- States Won’t Fund Public Transit Projects \*\*\*

#### State banks will choose projects based on rate of return --- won’t fund public transit

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Unlike a state department of transportation, which typically owns assets (though it may contract out their construction and maintenance), an SIB acts as a lender or a guarantor. Thus, the SIB has to be concerned with returns on the investment, often by prioritizing projects with their own revenue streams or by collecting payments comprised of future tax revenues if the borrower is a county, city or special district. This distinction means that the ability for repayment is often one of the key criteria for an SIB in selecting projects to fund, and that often these projects include ongoing revenue streams through tolls or other user fees. It also means that public transit projects can be more difficult to fund because they rarely include this kind of money-making guarantee. If a state wants to use its federally-financed SIB to finance transit projects, it must enter into an agreement with the Federal Transit Administration and meet a variety of federal regulations, making transit a less attractive sector for some SIB managers.19 This reluctance can be further exacerbated by **the challenge of finding transit projects with a predictable revenue stream for repayment**.

#### This focus prevents solvency

Snyder, 10--- Streetsblog's Capitol Hill editor (12/7/2010, Tanya, “Would an Infrastructure Bank Have the Power to Reform Transportation?” <http://dc.streetsblog.org/2010/12/07/would-an-infrastructure-bank-have-the-power-to-reform-transportation/>, JMP)

Return on Investment

A singular focus on a high rate of return, however, could weaken the impact of a National Infrastructure Bank. Rep. Rosa DeLauro (D-CT) has advocated for a NIB with grantmaking authority to cover projects that won’t necessarily make sufficient revenue to be able to pay down a loan.

A proposal, not yet released but expected to be introduced in Congress next year, would establish a bank with no grantmaking authority, removing one of the best aspects of a potential bank.

“Not every project of regional and national significance is going to generate a return that justifies a financially rational loan for the bank to make,” says Scott Thomasson, an expert in infrastructure finance from the Progressive Policy Institute**. “There are projects that are worth doing as a nation where the benefits aren’t going to be repaid financially. They’re going to be enjoyed in other forms” like improving public health, easing traffic congestion, or reducing emissions.**

Thomasson worries that **a narrowly structured bank, following a traditional bank model, won’t address compelling projects that can’t capture user fees or other financing streams.**

### 2ac States CP --- Federal Requirements

#### State funded banks avoid federal requirements for environmental studies, buy-America provisions and necessity to pay prevailing wages

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

State-funded SIBs also allow state departments of transportation to establish their own regulatory criteria for projects that **no longer fall under federal requirements** for environmental studies, “Buy America” provisions, or requirements to pay prevailing wages.35 When Virginia announced some private-sector highway projects that might be financed by a new state-funded SIB, media reports noted that these projects were currently undergoing environmental scrutiny as federally-funded projects.36 Virginia has also announced it will implement a “design-build” method of funding projects that allows construction to begin before designs are finalized. While supporters say this method speeds up the construction process, others caution that by combining the phases of a project, it reduces public opportunities for input and could facilitate contractor shortcuts.37 And as the Ohio Department of Transportation explains, local projects using federal SIB funds are obligated to conduct full National Environmental Policy Act documentation of Environmental Impact or Environmental Assessment Statements,38 whereas local projects using state SIB funds need only adhere to state regulations concerning archaeological preservation,39 rules that state nature preserves may only be taken for other public uses,40 and Ohio Department of Transportation permits.41

Sloan, 11 --- CSG Senior Transportation Policy Analyst (June 2011, Sean, “State Infrastructure Banks,” <http://knowledgecenter.csg.org/drupal/system/files/State_Infrastructure_Banks.pdf>, JMP)

State Capitalized Infrastructure Banks

Several states—including Florida, Georgia, Kansas and Ohio—have established state infrastructure banks or accounts within their banks that are capitalized solely with state funds.7 Virginia has recently joined the ranks of those four states. Such banks allow funded projects to avoid potentially delay-causing federal regulations and restrictions (such things as labor, environmental and “Buy America” requirements) they would otherwise be subjected to if they were financed using federal funds.

#### Buy-America provisions key to U.S. job growth

Hindery & Gerard, 12--- \*founder of Jobs First 2012 and a member of the Council on Foreign Relations, AND \*\*international president of the United Steelworkers and a member of the executive council of the AFL-CIO (5/15/2012, “Re Jobs, Pick the Low Hanging Fruit (Part 2),” <http://www.huffingtonpost.com/leo-hindery-jr/job-creation_b_1517730.html>, JMP)

Last September we renewed our earlier pleas to Congress to 'pick' the four low-hanging initiatives that would, if the administration and Congress together would only pick them, quickly create millions of new jobs. They were and remain:

1. Buy-Domestic Procurement Requirements. All infrastructure projects funded and guaranteed by the federal government should require purchases to be made in America rather than overseas, consistent with our international trade agreements. As well, in order to qualify as "Made in America," at least 75% of the content should have to be manufactured within our borders. Specifically, Congress should:

 Require review of domestic content calculations to insure their effectiveness and transparency;

 Require review of domestic sourcing requirements for all government procurement programs (e.g., Buy American, the Recovery Act) and programs that support U.S. exports (e.g., the Export-Import Bank) to ensure that contracting agencies are obeying and implementing the requirements; and

 Enact a successor to the 1933 Buy American Act, which is now so dated that whole federal agencies are effectively excused and massive procurement 'loopholes' exist.

### --- XT: Multi-jurisdictional Projects

#### National bank key to finance projects across multiple jurisdictions

Rendell, 11 --- former Governor of Pennsylvania and as Co-Chair of Building America`s Future (5/17/2011, Ed, Financial Market Regulatory Wire, “BUILDING AMERICA`S FUTURE EDUCATIONAL FUND CO-CHAIR ED RENDELL PREPARED TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE HEARING ON FINANCING 21ST CENTURY INFRASTRUCTURE, AS RELEASED BY THE COMMITTEE - NEWS EVENT,” Factiva, JMP)

As it is obvious that existing revenue sources and methods are inadequate to address our vast infrastructure needs, Building America`s Future believes that a National Infrastructure Bank can be part of the solution. A properly constructed Bank will take the politics out of the equation and invest in projects based on merit and help to finance critical projects of regional or national significance.

**Right now, if multiple states wanted to complete a project crossing multiple jurisdictions or infrastructure sectors, there is no singular place to which they can apply for financial assistance. A National Infrastructure Bank can fill that void** by leveraging dollars from states and local governments as well as the private sector, focusing on projects of regional or national significance, and subjecting all requests to a benefit-cost analysis. Clear accountability and transparency requirements would be part of the process.

#### National transportation-only bank necessary to fund multi-state projects

Schulz, 10 (5/19/2010, John D., Contributing Editor, “Has the time come for a U.S. Infrastructure Bank?” <http://www.logisticsmgmt.com/article/has_the_time_come_for_a_u.s._infrastructure_bank/>, JMP)

Robert Poole, director of transportation policy at the Los Angeles-based Reason Foundation, a libertarian-leaning think tank, said the nation suffers from both insufficient and poorly targeted infrastructure investments. **“Multi-state projects are particularly hard to fund under the current system,”** Poole said. “Large, billion-dollar, multi-state, multi-modal projects would be particularly attractive to funding through infrastructure bank funding.”

But Poole is opposed to using general U.S. funds for transport projects. Rather, he said, they should be funded by user funds, not federal grants. All projects should be merit-based, which could be difficult in a town where all 538 members of Congress are used to bringing home some bacon to their districts and states. “There may be a niche market role for a narrow transportation-only infrastructure bank,” Poole said. “But a broader infrastructure bank may be too ambitious to try and achieve a multi-modal, grant-and-loan-based bank, which I think might fail,” he added.

#### National bank key to coordinate projects across state lines

Hinton, 11 (6/17/2011, Christopher, MarketWatch, “How to fix crumbling U.S. roads, rails and airways; Falling tax revenue is hurting U.S. shipping and prosperity,” Factiva, JMP)

Instead, a more likely solution could be the development of more public-private partnerships, these people said.

“If you’ve got the right deal worked out, the private sector can do things better than the public sector,” said Timothy James, a research professor at the W.P. Carey School of Business at Arizona State University.

The Obama administration has latched onto the idea and has been promoting the formation of a National Infrastructure Bank that would leverage private-sector lending with public financing and coordinate projects across state lines.

#### National bank overcomes jurisdictional barriers

Mele, 10 (1/1/2010, Jim, “Don’t bank on it,” <http://fleetowner.com/management/feature/dont-bank-on-it-mele-0101>, JMP)

So what is this idea that refuses to go away, yet attracts little support or attention beyond a few special interest policy groups? Without getting into the complex Federal budgetary processes, a national infrastructure bank, or NIB among the policy wonks, would be a development bank that would issue bonds and use the proceeds to fund major infrastructure projects.

In general terms, creation of a NIB would have two major advantages. First, it would remove Federal infrastructure funding from the six-year reauthorization cycle which is causing so many delays and problems right now. Also, moving those investment decisions outside the Congressional authorization process would eliminate the hodgepodge of pork-barrel projects larded into reauthorization bills needed to attract votes, but adding little to national transportation efficiency. Instead, a NIB could fund projects based on overall merit and bring accountability to infrastructure investment.

Today, the Federal government collects fuel taxes to fund highway and other infrastructure projects, but it actually has little control over those projects. More than three-quarters of those funds are distributed as grants to states or local governments. Yet the Federal government has little direct control over the projects funded or how they might fit into national goals such as congestion reduction. Worse, the current highway funding mechanism actually discourages preventive maintenance. That money can only be used for major maintenance projects, in effect giving states an incentive to ignore preventive maintenance until the situation deteriorates enough to qualify for Federal funds.

Insulated from Congressional influences, a NIB could choose infrastructure projects based on merit, **focusing on those that cross state lines and other jurisdictional barriers** to satisfy regional and national transportation needs. Such power to choose projects would also allow it to enforce performance standards and give us clearer accountability for the way our infrastructure money is spent.

The European Investment Bank has filled just such a role for over fifty years, helping build an effective transportation network that spans many national borders. It could work here, as well.

### --- XT: Federal Efforts Needed

#### The federal government is key – states can’t handle the larger projects

Alden, 12 --- Senior Fellow at CFR (6/14/2012, Edward, “The First Renewing America Progress Report and Scorecard: The Road to Nowhere,” <http://blogs.cfr.org/renewing-america/2012/06/14/the-first-renewing-america-progress-report-and-scorecard-the-road-to-nowhere/>) // NK

There are encouraging signs from some state and local governments. Chicago is launching a $7 billion Infrastructure Trust that will rely primarily on private investor capital to finance city projects. New York state has created a new state infrastructure bank  intended to leverage $15 billion in investments into state projects. But most big projects, and all interstate projects, require some active federal role, and that is still missing.

One of the more tragic aspects of the federal gridlock over infrastructure is that the United States is missing a golden opportunity that the rest of the world is handing us, and one that probably won’t last for long. The turmoil in Europe and the lack of developed capital markets in the rest of the world have led investors to continue buying up U.S. Treasuries at record low interest rates that are not even keeping pace with inflation. They are paying the U.S. government, in other words, to hold their money. And they are doing so despite big U.S. budget deficits that in more normal times would drive interest rates higher.

The United States should use some of that free money — along with the plentiful private capital that is searching for stable returns — to invest in projects that promise long-term payoffs in improved productivity that will strengthen the U.S. economy, as well as provide a much-needed short-term boost in employment. As the Progress Report and Scorecard clearly demonstrate, the United States has a lot of catching up to do. Now is the time to start.

#### Federal role remains central --- combination with states is best

Frankel, 12 --- Visiting Scholar, Bipartisan Policy Center (5/22/2012, “Defining and Allocating Roles,” <http://transportation.nationaljournal.com/2012/05/not-waiting-for-the-feds.php>, JMP)

Whatever the outcome of the current Congressional process on authoriziing federal surface transportation programs, the longer-term trend is clear: the federal share of transportation investment is, at best, stagnating and, at worst, declining. These circumstances reverse a trend of half a century or more of growing federal surface transportation funding. It is evident that a greater portion of this funding and investment burden will now fall on states and localities.

But that is not the same thing, as devolution. There remains an important, if still inadequately defined, federal role in transportation. There are national goals and national purposes in transportation, and some projects are clearly national (to greater or lesser degrees) in scope and impact. There is, however, no clear line between these national, state, and local interests. Most "mega" projects involve a mix of interests: CREATE in Chicago has obvious local and Illinois benefits, but this program of rail and grade crossing improvements is probably most significant, in terms of the national benefits that it would generate.

Similarly, the ARC project (the proposed trans-Hudson River commuter rail tunnel), cancelled by Governor Christie after decades of planning and the initiation of construction, would have offered enormous benefits to the citizens and business firms of New Jersey and to the economy of the entire New York City region, but there were, and remain, strong reasons for a substanital federal role in this project, because of the impact of economic growth in the New York City region on national well-being and prosperity.

As Rob Puentes has noted, this is not an "either-or" situation, one of national versus state or local goals. Many programs and projects will involve all these interests, in varying measures and degrees, and the sources of funding should reflect this mix of purposes. What this debate demonstrates, however, is the need to define national goals more precisely, to reform the institutions that plan and program capital investments in the transportation sector, and to focus on performance and outcomes. These reforms are more urgent than ever, in the context of shrinking resources and the need to invest wisely in the more beneficial programs and projects.

### --- XT: National Bank Helps State Banks

#### A national bank can support State structures

Plautz, 11 (9/8/2011, Jason --- of Greenwire, “In I-Bank Debate, States Provide Successful Model,” <http://www.nytimes.com/gwire/2011/09/08/08greenwire-in-i-bank-debate-states-provide-successful-mod-49268.html?pagewanted=all>, JMP)

**\*\*\*Danielle Martin, program manager of the Kansas Transportation Revolving Fund**

Still, Kansas' Martin said, a national bank that used the state programs as a reliable model would do plenty of good, especially if it supported the existing state banks.

"It's just a win, I think, for taxpayers," Martin said. "Here's a $25 million investment of taxpayer money and you're able to improve over $135 million in road projects. That's a good return on investment for the taxpayers."

### --- SIBs Funded With Fuel Taxes

#### States have to use a combination of fuel taxes and other funds to fund infrastructure banks

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

Challenges to Establishing a State Infrastructure Bank

Not surprisingly, the biggest challenge to establishing a SIB in this economy is funding. Many states are already struggling with shortfalls in transportation dollars. New Jersey, which depends heavily on toll revenues to finance its transportation projects, is looking at shortfalls of more than $47 million—five percent of its target.57 The state’s turnpike authority has cut its 2011 operating budget by $10 million, and rating agencies have lowered their rating on New Jersey turnpike bonds even as the agency tries to implement a 10-year capital improvement program.58 In Virginia, maintaining roads alone threatens to deplete the state’s Highway Maintenance and Operating Fund, and the state has forced to repeatedly shift funds from its Transportation Trust Fund for construction to pay for maintenance.59

In federally-funded SIBs, states are required to match federal funds on an 80-20 federal/non-federal basis. Similarly, in SIBs that exclusively use state funds, state lawmakers also need to identify sources of revenue to fund loans. The main source of funding for about half the states is the state motor vehicle fuel tax, though in only a very small number of states (five) this money flows directly to the department of transportation without legislative appropriation. Additionally, in nearly half the states, constitutional provisions prohibit using fuel taxes for any projects that are not highway or road related. In the others, these funds can typically be used for multimodal or other transportation projects.60 Furthermore, because gas taxes are levied per-gallon and are typically not indexed to inflation or take into account increased gas efficiency, these funds alone are rarely enough to fund an SIB.

South Carolina, the single largest user of SIB money to fund state projects, originally capitalized its SIB with a $66-million appropriation from the state’s general fund in 1997, but uses a blended revenue stream to fund ongoing operations. As of 2007, 38 percent of its revenues came from truck registration fees, 18 percent from state vehicle taxes, 16 percent from the state gasoline tax, and 6 percent from intergovernmental agreements for construction projects. The remainder, 23 percent, came from investment earnings.61

For a state-by-state listing of how each funds transportation projects, see the NCSL’s State Profiles.

### --- No Uniformity

#### No uniform implementation --- state banks can vary greatly

Christman & Riordan, 11 --- policy analysts at the National Employment Law Project (December 2011, Anastasia Christman and Christine Riordan, National Employment Law Project Briefing Paper, “State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation,” <http://nelp.3cdn.net/fadb21502631e6cb79_vom6b8ccu.pdf>, JMP)

SIB Enabling Legislation

The authorizing legislation for SIBs varies greatly. Some measures are extensive, laying out oversight bodies and selection criteria from the outset; other laws are very brief, leaving implementation up to state administrators. A few states were able to establish their SIBs using existing legislation: two used bills created for a toll-facility revolving-loan fund, and one used an existing law that allowed special purpose non-profit corporations.22 Additionally, states vary on where they house their SIBs, with some placing it within one discrete agency, some using an interagency partnership, and some creating a separate entity entirely. Advocates should urge lawmakers to house the SIB in an agency with a good record for accountability and transparency.

SIB Decision-Making and Public Engagement

As of 2002, two-thirds of SIBs had a board or advisory committee to help guide the selection process and provide some oversight. In most cases, personnel from the state department of transportation sit on these boards, but in some cases, governors or legislators appoint members to the board as well.23 Depending on the structure of the decision-making body, members of the general public may or may not have a direct ability to influence the projects their SIB prioritizes. In Arizona, for example, half-a-dozen advisory board members are members of the general public appointed by various government bodies, and the meetings of the board are explicitly required to be open to the public.24 Conversely, in South Carolina, the seven-member board includes four members appointed by the legislature, including two lawmakers. With little staff to advise the board, advocates allege this makes the SIB effectively an extension of the political process.25 In Maine, a December 2009 law created a coalition of stakeholders to explore transportation issues, including whether the state’s SIB should be considered to fund regional highway improvements. While the coalition itself specified the groups to be included, the process includes a “Sounding Board” which is open to “any interested party” to give feedback on findings and recommendations at “key junctures during the study.”26 Community advocates may want to explore the possibility of amending their state’s SIB legislation to provide for adequate public participation in the allocation of these resources.

Advocates should also be aware that SAFETEA-LU itself includes provisions that call for a planning process that protects and enhances the environment, promotes energy conservation, improves the quality of life, and promotes consistency between state and local economic development plans. Additionally, it requires that metropolitan planning organizations (MPOs) develop a plan to ensure that all interested parties “have reasonable opportunities to comment on the contents of the transportation plan.”27 All urbanized areas with a population of more than 50,000 are required to have an MPO, one of the core functions of which is to engage the general public and other affected constituencies in developing an overall transportation plan.28 Furthermore, federal law states that funds allocated to provide assistance to a project in an urbanized area of the state (with more than 200,000) can be used “only if the metropolitan planning organization designed for such area concurs, in writing, with the provision of such assistance.”29 Thus, at least in urbanized areas, community advocates may be able to participate in developing plans through the MPO and thus ensure that SIB funds are only used to advance projects that conform to those plans.

### --- XT: Constitution Impact

#### Violations of the Constitution must be rejected

Levinson 2000--- Associate Professor, University of Virginia School of Law (Daryl, Spring, 67 U. Chi. L. Rev. 345, lexis)

Extending a majority rule analysis of optimal deterrence to constitutional torts requires some explanation, for we do not usually think of violations of constitutional rights in terms of cost-benefit analysis and efficiency. Quite the opposite, constitutional rights are most commonly conceived as deontological side-constraints that trump even utility-maximizing government action. n69 Alternatively, constitutional rights might be understood as serving rule-utilitarian purposes. If the disutility to victims of constitutional violations often exceeds the social benefits derived from the rights-violating activity, or if rights violations create long-term costs that outweigh short-term social benefits, then constitutional rights can be justified as tending to maximize global utility, even though this requires local utility-decreasing steps. **Both the deontological and rule-utilitarian descriptions imply that the optimal level of constitutional violations is zero**; **that is, society would be better off, by whatever measure, if constitutional rights were never violated.**

### --- AT: Federal Modeling

#### No federal modeling

Economist, 11 (4/28/2011, “Life in the slow lane; Americans are gloomy about their economy’s ability to produce. Are they right to be? We look at two areas of concern, transport infrastructure and innovation,” <http://www.economist.com/node/18620944>, JMP)

At the state and local level transport budgets will remain tight while unemployment is high. With luck, this pressure could spark a wave of innovative planning focused on improving the return on infrastructure spending. The question in Washington, apart from how to escape the city on traffic-choked Friday afternoons, is whether political leaders are capable of building on these ideas. **The early signs are not encouraging**.

### AT: CP Fund State Infrastructure Banks

#### Federally funded State banks can’t meet national needs

Freemark, 12 --- writes on cities and transportation at The Transport Politic (1/2/2012, Yonah, “How to Pay for America's Infrastructure,” <http://www.theatlanticcities.com/politics/2012/01/solution-americas-infrastructure-woes/845/>, JMP)

Democrats in the Congress introduced a bill to fund such an organization in October, but John Mica (R-FL), chairman of the Committee on Transportation and Infrastructure, has said that he would refuse to endorse such a concept. Mica suggests that states are up to the task and that Washington’s involvement would get in the way. Some Democrats have articulated a compromise. Senator Ron Wyden (D-OR), for instance, introduced a bill that would pass one billion dollars to each state to set up their own infrastructure banks.

A review of the current work of state infrastructure banks, though, raises the question of whether state governments are ready to significantly expand their infrastructure banks.

Consider the experience of five state infrastructure banks in Florida, Ohio, Oregon, Pennsylvania, and Texas. Total investments have ranged from $60 million in Oregon to $1.1 billion in Florida, which are about a decade old on average. In the case of Pennsylvania, which has had a bank since 1998 and loaned a total of $132 million in 13 years, a $1 billion allocation from Washington such as has been suggested by Senator Wyden would represent a rapid eight-fold increase in spending.

The limited funding from state infrastructure banks thus far results from a confluence of supply and demand. One example - Pennsylvania’s bank currently receives up to $30 million annually from the state budget, according to the agency. Hugh McGowan, the manager of the state bank, says that "it is a very popular program" but that annual applications had never reached $30 million.

In most states studied, the vast majority of infrastructure bank funds has gone to roads projects, indicating that the commitment of the federal government to multi-modality - 20 percent of federal surface transportation spending generally goes to public transit - has not been followed through in the states. Texas has loaned virtually none of its $477 million total to transit, while Ohio, Oregon, and Pennsylvania have devoted just two to four percent of their funding to bus and rail improvement projects. Only Florida stands out, with 11 percent of its loans going to transit, thanks to major investments in projects like the SunRail commuter line.

McGowan, of the Pennsylvania bank, said that "there are no maximums or minimums" for the types of projects approved, one problem might be that few transit agencies apply for aid. In Ohio, Ohio Department of Transportation Press Secretary Steve Faulkner agreed. "Any type of transportation project is eligible for state infrastructure bank funding" he says. "So, the number of transit loans is a direct result of the corresponding number of transit applications received."

The state infrastructure banks are making sound financial choices when it comes to the projects they sponsor. Kane, of Florida, told me that the state’s program had never "experienced any default on repayments." Ohio’s Faulkner said "all loans - with the exception of two - were repaid." In both cases, the defaulter was a private developer.

Though this sample of infrastructure banks does not profess to represent the sum of experience on the subject, the five considered are large states with a mix of urban, suburban, and rural environments, and a mix of Democratic and Republican constituents. Thus their involvement with infrastructure banks would likely to be followed in other states if Washington were to choose to invest more in them. Yet the mixed outcomes - responsible management but a general focus on small roads projects in most states - suggests that **increased funding for state infrastructure banks will hardly provide a panacea for resolving national infrastructure woes.**

### AT: CP Export-Import Bank

#### Not sufficient --- infrastructure bank is necessary

Snyder, 11 --- Streetsblog's Capitol Hill editor (10/7/2011, Tanya, “Does the Elusive Infrastructure Bank Already Exist?” <http://dc.streetsblog.org/2011/10/07/does-the-infrastructure-bank-of-our-dreams-already-exist/>, JMP)

Rep. Rosa Delauro (D-CT) has been the primary Congressional champion of an infrastructure bank for the past 17 years. At an event yesterday sponsored by PPI, Delauro admitted that while the Ex-Im Bank was an interesting model, “Yes, I am wedded to an infrastructure bank.”

Sen. Mark Warner, an original cosponsor of the Kerry-Hutchison BUILD Act, gave a similarly cautious welcome to the Ex-Im Bank proposal. “I’ve not given that enough thought, but I think it’s something that ought to be examined,” he said yesterday. He did say that he and his cohorts have always thought of the Ex-Im Bank as a far closer model for the infrastructure bank than Fannie and Freddie.

Delauro also said simply expanding TIFIA or strengthening state infrastructure banks wouldn’t “meet the aims” of a national infrastructure bank. And she “applauded” the Kerry-Hutchison proposal but said hers would issue bonds and be capitalized at $20 billion, not $10 billion. “Without the enhanced finance capacity we may not be able to get to a scale that we need to properly address the jobs crisis that we face in this country and meet a bank’s potential to be able reduce our infrastructure investment deficit and enhance our global competitiveness,” Delauro said. “It’s good, it’s great, but it’s not where we could go with this concept.”

Whatever form it takes, Delauro insisted that the U.S. must not go on as “one of the only leading nations without a national plan for public-private partnerships for infrastructure projects or a national infrastructure bank to finance large scale projects and to leverage private capital.”

### AT: CP Exclude Grants (NIB that Just Loans)

#### National bank must include grantmaking authority to effective serve national interests

Snyder, 10--- Streetsblog's Capitol Hill editor (12/7/2010, Tanya, “Would an Infrastructure Bank Have the Power to Reform Transportation?” <http://dc.streetsblog.org/2010/12/07/would-an-infrastructure-bank-have-the-power-to-reform-transportation/>, JMP)

Return on Investment

A singular focus on a high rate of return, however, could weaken the impact of a National Infrastructure Bank. Rep. Rosa DeLauro (D-CT) has advocated for a NIB with grantmaking authority to cover projects that won’t necessarily make sufficient revenue to be able to pay down a loan.

A proposal, not yet released but expected to be introduced in Congress next year, would establish a bank with no grantmaking authority, removing one of the best aspects of a potential bank.

“Not every project of regional and national significance is going to generate a return that justifies a financially rational loan for the bank to make,” says Scott Thomasson, an expert in infrastructure finance from the Progressive Policy Institute. “There are projects that are worth doing as a nation where the benefits aren’t going to be repaid financially. They’re going to be enjoyed in other forms” like improving public health, easing traffic congestion, or reducing emissions.

Thomasson worries that a narrowly structured bank, following a traditional bank model, won’t address compelling projects that can’t capture user fees or other financing streams.

### AT: CP TIFIA

#### **Plan is superior in every way to the CP and permutation solves best**

HALLEMAN, 11 – Business graduate with analytical and program management experience across a range of transportation and infrastructure issues; Head of Communications & Media Relations at International Road Federation (Brendan, “Establishing a National Infrastructure Bank – examining precedents and potential”, October 2011,http://issuu.com/transportgooru/docs/ibank\_memo\_-\_brenden\_halleman)//MM

 An independent Infrastructure Financing Authority is superior in almost every respect to the TIFIA loan program or its Department of Energy counterpart. Through independent project evaluations and innovative financing instruments, AIFA has a far greater ability to tap into a pool of private infrastructure funds worth over USD 200 billion. However, TIFIA’s budget authority can and should be increased for a transitory period while AIFA is ramped up and made fully operational.¶

#### TIFIA can’t solve – a new program is key

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #7: We don't need a separate infrastructure bank, because we can simply expand existing programs like TIFIA or the Export-Import Bank.

Reality: Both TIFIA and the Export-Import ("Ex-Im") Bank are well-run programs that are effective in achieving the specific missions they are charged with. There are structural similarities between AIFA and both TIFIA and Ex-Im that make the idea of transforming either program to act like an infrastructure bank very interesting on paper and perhaps worth exploring more. However, the organization and governance of the infrastructure bank would be materially different from TIFIA, and its mission and expertise would not necessarily be compatible with the Ex-Im Bank.

TIFIA is already oversubscribed with only a handful of staff to process loan applications. Some people familial- with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany recent proposals to "super-size" its budget authority. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics allege of the DOE loan guarantee program.

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expansion and better management of federal credit programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger, big-ticket projects that are beyond the scale of anything existing programs have taken on before.

With respect to the idea that we can create an infrastructure bank within the Ex-Im Bank, we should be cautious about assuming we can re-task a well established bureaucracy with an entirely new mission that requires different financing expertise and a different institutional culture. It is probably better to avoid big changes to a program that is currently functioning well, and instead to look to it as a model to be drawn upon and replicated instead of forcing a merger of two very different programs under the one roof.

#### Infrastructure bank comparatively better than TIFIA funding process

Snyder, 11--- Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio (10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

Scott Thomasson of the Progressive Policy Institute testified at the transportation committee hearing that an infrastructure bank was needed, in part, because TIFIA is understaffed and outsources much of its work to people with greater expertise. The first step toward creating an effective infrastructure bank would be “hiring the financial professionals that TIFIA lacks,” he said.

That could help, but it’s not the strongest argument for creating a brand new entity. After all, if TIFIA just “beefed up” as many recommend, it could have that expertise in-house.

The clincher

A more persuasive argument for the necessity of an I-bank came this month from USDOT Under Secretary for Policy Roy Kienitz, who said at an infrastructure forum sponsored by the Washington Post that one problem with TIFIA funding – aside from the fact that it’s far too low – is that it’s released six weeks at a time, making it hard to do long-term planning.

But that’s not all. Kienitz’s answer to why TIFIA isn’t a substitute for an infrastructure bank was so dead-on and coherent it’s worth printing in its entirety.

 One of the advantages of some more infrastructure-bank-like system is that some of the places that are innovating, at least some of them, are places like Denver, Salt Lake, LA, Seattle. In the transit world, what the federal government does is it says “show me the minimum operable segment for the transit line which you are currently considering.” And what communities want to do is say, “I have a future 25 years from now that looks very different than today and here’s all the pieces and parts. Here’s what I want to do with my freeways, here’s my HOT lanes, here’s my light rail, here’s my streetcar, here’s my traffic flow improvements. It all works together. I want to raise an amount of money to do this plan; who do I talk to in Washington?”

 And the answer is, blecch, we don’t know how to do that. We’re sliced up into our own little slices.

 One of the things that the infrastructure bank, or something like the infrastructure bank, can do is enter into long-term relationships with people who have decade-plus-long plans, about the pieces and the parts of that plan. They’re trying to finance a plan. **What Washington knows how to do is finance a segment of a project**. And that’s a conversation that needs to change.

 The current TIFIA process does not allow us to do that. With more money, we could do more segments of more projects, and that would be a good thing. But I don’t think that’s the ultimate goal.

#### A national bank is key to expand infrastructure funding --- boosting funding for TIFIA not adequate

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Widespread Support and Adoption of Infrastructure Banks

The idea of establishing a national infrastructure bank to facilitate private capital investment in new transportation projects, energy resources, and other types of infrastructure is one that has been adopted by developed countries around the world, with strong track records of success. Many states in the U.S. have also established their own versions of infrastructure banks, with more being added and expanded every year, most recently in Virginia, where Governor Bob McDonnell signed a new bank into law earlier this year. The proliferation of infrastructure banks shows that they are a widely accepted and proven approach to lowering financing costs and attracting private capital investment for badly needed new projects.

Here in the U.S., there is also strong support for a national infrastructure bank from a broad coalition of top corporate CEOs, Wall Street investors, organized labor, and local government leaders. These are the people making decisions every day that drive our country's economic prosperity, and they recognize the huge potential for a bank to help address our investment needs by mobilizing private capital to leverage public funding.

At a Capitol Hill forum held last week by the Progressive Policy Institute, urgent calls for swift action and smarter financing policies came from top executives from Nucor, the nation's largest steel producer; Siemens, a multinational corporation making huge investments in manufacturing, energy, and infrastructure here in the U.S.; Ullico, an insurance company owned and funded by large union pensions; UBS Investment Bank, which advises U.S. and foreign investors on infrastructure financing; and Meridiam Infrastructure, a private-capital fund focused on investing directly in U.S. transportation, water, and energy projects. Both the U.S. Chamber of Commerce and the AFL-CIO have prominently endorsed the bipartisan Senate proposal for a bank that has more recently been adopted in the American Jobs Act.

Although governments, investors, and industry leaders throughout the U.S. and around the world have seen the wisdom and benefits of infrastructure banks as a tool to supplement direct public funding, the idea is still new and unfamiliar to many here in Washington. There continues to be a great deal of confusion and misinformation about the role of a national bank, and about the structure and features of specific bank proposals currently before Congress, including the president's own proposal included in the American Jobs Act.

A properly structured national infrastructure bank is an innovative but sound investment tool that deserves to be a part of the current debate about the many challenges of investing in long-term economic growth and job creation. As Chamber President Tom Donohue has said, it's an invaluable part of the solution to how we pay for projects we can't afford to ignore, but it can only work if added to a strong foundation of spending in the transportation reauthorization bills.

The Next Step in the Evolution of a National Investment Strategy

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

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

Given the interest the Committee has expressed in dramatically expanding the TIFIA program and opportunities for state infrastructure banks, it is timely to ask whether these programs can be improved by simply throwing more money at them, or whether an additional credit platform is needed to boost their effectiveness. This question is underscored by the recent news surrounding the Department of Energy's loan guarantee to Solyndra, which suggests we should be wary of believing an existing program can deliver on the promises of a massive expansion in loan approvals before the necessary staff and expertise are in place. Throwing more money at the TIFIA program without an enhanced organizational structure will run the same risks of questionable underwriting decisions that the Solyndra critics have argued against. And expanding TIFIA's resources is likely to create more bureaucracy and red tape than a properly structured infrastructure bank.

An independent and professionally staffed infrastructure bank is the best response to the increasing need for expanded federal credit programs and for ensuring prudent financial management of those programs. A properly structured national bank achieves this first and foremost by replacing politically driven decision making with a more transparent and merit-based evaluation process overseen by a bipartisan and expert board of directors. This feature of the bank becomes even more important as the federal government moves toward financing larger; big-ticket projects that are beyond the scale of anything existing programs have taken on before. But unlike the DOE approach that has'been characterized as "picking winners," a national bank would rely on the same bottom-up approach of state and local project sponsorship currently used by TIFIA. Because that approach is purely voluntary and would not mandate specific project finance structures, the bank would empower states, rather than tying their hands with red tape.

There are also advantages a national bank could offer to state infrastructure banks to expand their investment options and lower their borrowing costs. A national bank could assist states in financing large, expensive projects that are beyond the scale of state bank capitalization or lending power. A national bank would also be better able to evaluate and finance projects of regional and national significance--those that produce clear economic benefits to the country, but which otherwise would not benefit any one state enough to justify beaiing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury rates at historically low levels, as they are now. Those savings could be passed through to states by partnering with state banks to finance projects selected and preapproved by the states themselves. By improving the economics of such projects, the national bank would also make them more attractive to investors, making more private capital available to states to leverage scarce taxpayer dollars.

In short, the approaches used so far to expand public investment tools and mobilize private capital for infrastructure financing have been positive steps for the country. But even with more money, they can not address all of our national investment needs, and they should not be thought of as substitutes for a national infrastructure bank, but rather as complementary partners to the bank.

### --- XT: Permutation Best

#### TIFIA is too narrow and a combination of both is best

Lemov, 12 (3/1/2012, Penelope, “A Bank for Infrastructure Funding; Legislation moving through Congress could help states and localities finance public works projects,” <http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html>, JMP)

The $5.25 billion Panama Canal expansion could be a gold mine for U.S. ports along the Gulf and the East Coast.. But first, they have a few upgrades to make if they expect to compete for the anticipated surge in trade traffic. So where will the money come from to ready these ports? And what about money to finance other major infrastructure needs? Michael Likosky, director of the Center on Law and Public Finance at New York University, sees a national infrastructure bank as one answer. As bipartisan legislation to create such a bank inches its way through Congress, I tuned into a briefing via telephone by Likosky, sponsored by RBC Capital Markets, on how such a bank might work. What follows is an edited transcript of his remarks.

How the bank will work: The bank starts with the initial capitalization of $10 billion, then moves to self-sufficiency, and does loans and loan guarantees in the sectors of water, transportation and energy. It is a multi-sector bank, designed to finance multi-sector projects so you can package water, transportation and energy together.

How the bank differs from the Transportation Infrastructure Finance and Innovation Act (TIFIA): The TIFIA program has generally been for large marquis projects. To date, it has been a 10- to 12-state program. The states that have needs for TIFIA loans generally are high population states that can sustain it. The infrastructure bank has been conceived as a 50-state bank, and so it has a much broader reach. It is going to be more about volume and less about doing a cluster of projects. That said, the two are complementary in that a TIFIA project can pick up support from the infrastructure bank at the same time. Including another federal agency or federal program in a TIFIA package makes the package more attractive to investors, particularly if a water or energy component gets added.

### --- XT: NIB Superior to TIFIA

#### A national bank is superior to the current TIFIA process

Snyder, 10--- Streetsblog's Capitol Hill editor (12/7/2010, Tanya, “Would an Infrastructure Bank Have the Power to Reform Transportation?” <http://dc.streetsblog.org/2010/12/07/would-an-infrastructure-bank-have-the-power-to-reform-transportation/>, JMP)

Our report yesterday on transportation financing may have left you with a few more questions. We started with a look at TIFIA, which provides credit assistance for infrastructure projects. Many observers see the program as limited by its position inside the DOT and its opaque decision-making process.

But what about a National Infrastructure Bank, you ask? Transportation reformers are pushing — along with President Obama — for one to be established. Would such a bank be a more effective way to finance infrastructure projects than the TIFIA program? And would it lead the country to build better, more sustainable transportation systems?

Unburying Infrastructure Financing

In his testimony before Congress in May, Robert Puentes of the Brookings Institution’s Metropolitan Policy Program said a National Infrastructure Bank would lead to:

 A better selection process with fewer federal dollars going to wasteful projects

 More accountability for funding recipients

 A focus on maintenance and fix-it-first for highway projects

 Better delivery of infrastructure projects

But when asked why the choice of financing mechanism has an impact on outcomes, he admitted that, mainly, “it matters because of the ability to move the stupid bill through.”

He also said two factors would help a National Infrastructure Bank achieve better outcomes.

First, Puentes says a NIB should be independent, instead of being “buried” within the DOT. He recommends a semi-autonomous structure like the Tennessee Valley Authority or the Export-Import Bank.

Second, it should be more transparent, combining the development policy goals of the federal government with the focus on good investment returns of a bank.

### --- XT: TIFIA Fails

#### TIFIA is overstretched – funding NIB solves the shortfalls better

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #3: A national infrastructure bank would create a massive and inefficient federal bureaucracy.

Reality: Creating a national infrastructure bank would certainly require a new staff of professionals to cany out its mission. But the size of that staff may be comparable to the additional staff needed for the massive increases to the TIFIA program this Committee has recently proposed. TIFIA is already oversubscribed and understaffed, with only a handful of current staff to process loan applications. Some people familiar with the workings of the TIFIA program believe it will not be able to handle the additional workload that will accompany a new "super-sized" budget authority. The need for such a dramatic increase in staff was demonstrated by the rapid expansion of the Department of Energy's loan guarantee program, which hired roughly 200 additional staff and contractors to review applications. And while that bureaucratic growth came into the program after the now-infamous approval of the Solyndra loan guarantee (and likely avoided bad loan decisions going forward), the questions raised about Solyndra also show the need for a professional, unbiased staff that is not subject to political pressures and interagency management problems.

A modest but expert staff in an independent national infrastructure bank could also reduce the need for redundant bureaucracy and staff in existing federal credit programs, including TIFIA, RRIF, and possibly even the DOE loan guarantee program. By empowering existing programs to call upon the bank's staff and resources for diligence and evaluation functions like borrower creditworthiness reviews, those programs could reduce the size of their own bureaucracy and avoid political interference within the executive branch departments. In this sense, a bank-type entity could serve as a platform for infrastructure project finance expertise that could make all federal credit programs more efficient. This is particularly true for the AIFA model, which uses the same financing mechanism under the Federal Credit Reform Act ("FCRA") as these other federal programs. '

The resources and staff of the national infrastructure bank could similarly be made available to state banks for consultation and technical assistance, upon request by state officials.

### AT: CP TIFIA / Other Mechanisms

#### The national bank augments other mechanisms for transportation funding

Patton, 11 (10/13/2011, Oliver B., Washington Editor, “Infrastructure Bank Going Nowhere in House,” <http://www.truckinginfo.com/news/news-detail.asp?news_id=74979>, JMP)

Rep. Peter DeFazio, D-Ore., said the bank would not be a cure-all for transportation funding but would be a welcome addition to the mechanisms that already are in place. The infrastructure bank would be useful for large projects that generate a revenue stream through tolling or some other mechanism, but it won't help pay for work such as pavement restoration on Interstate highways, he said.

### AT: CP BAB (Build America Bonds) Program

#### The national bank will prioritize the best infrastructure projects --- not the ones that make the most money

Plautz, 10 (9/22/2010, Jason, Environment & Energy Daily, “DEVELOPMENT; Backers say infrastructure bank wouldn't repeat Fannie, Freddie mess,” Factiva, JMP)

At a hearing of the Senate Banking, Housing and Urban Affairs Committee, advocates said an infrastructure bank would provide some much-needed backing to long-term public works projects, create jobs and boost productivity. But Republicans, notably ranking member Richard Shelby (R-Ala.), said they were concerned the program might end up leaving taxpayers with the bills for costly construction.

"I agree that investing in infrastructure is important to our nation," Shelby said in a prepared statement. "Debt-funded infrastructure spending is not, and never will be, the most effective way to deal with shorter-term economic difficulties. Nor do I believe that we should create, under the guise of innovation in infrastructure finance, a new GSE-like [government-sponsored enterprise] structure where taxpayers are put on the hook for the risks of others."

But Alan Krueger, assistant secretary for economic policy and chief economist at the Department of the Treasury, said the national infrastructure bank, or NIB -- which would leverage private, state and local funds to finance transportation and infrastructure projects on a merit basis -- would be nothing like the GSEs of the past. He said the NIB would use a budget analysis program to choose the most viable programs and would fund projects in a way that minimized losses.

"The GSEs were profit-seeking institutions. The infrastructure bank would not be," Krueger said, comparing the NIB to the popular Build America Bonds. "The infrastructure bank would be an institution that's seeking to make the best investments, but not trying to make itself a profit."

### AT: CP Fund “x” Program

#### A long-term financing solution is necessary --- quick infusions of cash not enough

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

Didn’t the American Recovery and Reinvestment Act already include a large amount of funding for infrastructure projects?

The American Recovery and Reinvestment Act included over $70 billion to begin to address America’s infrastructure deficit.46 While that figure represents an important down payment on America’s infrastructure needs, it does not approach the funding levels necessary to close the infrastructure gap or to reform the investment system. **America still needs a long-term financing solution** that reforms the process and harnesses private capital to fully bridge the infrastructure gap.

### AT: CP Market

#### Even a leading libertarian supports a transportation only infrastructure bank

Schulz, 10 (5/19/2010, John D., Contributing Editor, “Has the time come for a U.S. Infrastructure Bank?” <http://www.logisticsmgmt.com/article/has_the_time_come_for_a_u.s._infrastructure_bank/>, JMP)

Robert Poole, director of transportation policy at the Los Angeles-based Reason Foundation, a libertarian-leaning think tank, said the nation suffers from both insufficient and poorly targeted infrastructure investments. **“Multi-state projects are particularly hard to fund under the current system,”** Poole said. “Large, billion-dollar, multi-state, multi-modal projects would be particularly attractive to funding through infrastructure bank funding.”

But Poole is opposed to using general U.S. funds for transport projects. Rather, he said, they should be funded by user funds, not federal grants. All projects should be merit-based, which could be difficult in a town where all 538 members of Congress are used to bringing home some bacon to their districts and states. “There may be a niche market role for a narrow transportation-only infrastructure bank,” Poole said. “But a broader infrastructure bank may be too ambitious to try and achieve a multi-modal, grant-and-loan-based bank, which I think might fail,” he added.

#### Public assistance is needed --- private companies don’t have a financial incentive to act alone

Garrett-Peltier, 10--- research fellow at the Political Economy Research Institute at the University of Massachusetts, Amherst (11/1/2010, Heidi, Dollars & Sense, “The case for a national infrastructure bank: a bank could be a recession-proof source of jobs,” Factiva, JMP)

Infrastructure improvements also have so-called positive externalities: their social benefits are greater than the financial gains earned by the parties who fund them. Improving roads, bridges, and transit systems can increase productivity, lower the cost of maintaining cars and buses, and reduce carbon emissions. Energy investments can increase productivity, and if directed toward energy efficiency and renewables, can also promote environmental sustainability. Investments in water systems lead to better health and lower health care costs.

Private companies cannot reap financial rewards from all of these indirect benefits. For instance, a private rail company could not feasibly charge a fee to everyone who enjoys less-congested roads or cleaner air thanks to a new rail line. So infrastructure projects have traditionally been publicly funded, primarily at the local level with some state and federal assistance.

#### Private sector won’t act independently --- national infrastructure bank key to spur effective public-private partnerships

Hinton, 11 (6/17/2011, Christopher, MarketWatch, “How to fix crumbling U.S. roads, rails and airways; Falling tax revenue is hurting U.S. shipping and prosperity,” Factiva, JMP)

Instead, a more likely solution could be the development of more public-private partnerships, these people said.

“If you’ve got the right deal worked out, the private sector can do things better than the public sector,” said Timothy James, a research professor at the W.P. Carey School of Business at Arizona State University.

The Obama administration has latched onto the idea and has been promoting the formation of a National Infrastructure Bank that would leverage private-sector lending with public financing and coordinate projects across state lines.

The strategy won’t guarantee a return for everything. Rail, for example, though it can help to relieve traffic congestion in high-population regions and reduce pollution, is rarely profitable. Even in Europe and Asia, where passenger rail is generally popular, rail is typically subsidized by local governments.

Highways, however, have benefited. In France, vast stretches of “autoroutes” are toll roads maintained by private operators that get paid based on performance.

And so far they have done much better than anyone had expected, James said. So well, in fact, that when the leasing contracts were up six years ago and the highways were to be returned to the public, the government decided to leave them in the private sector.

But there are plenty of bad examples as well. In California, South Bay Expressway LP filed for bankruptcy last year after operating a nine-mile tollway in San Diego County for just three years. The company blamed the poor economy and “lackluster” financial performance, but essentially it promised to manage the roadways too cheaply and failed, James said.

Some U.S. cities are also experimenting with public-private partnerships, such as Austin, Indianapolis and Chicago.

The worst solution is to do nothing, James said, and to assume private industry will simply step in and take over. Infrastructure is capital intensive, and sometimes it’s needed to serve marginal communities that will never provide the payments needed for a good return on investment.

“In Arizona, they think if they keep lowering their business taxes it will attract business, but its not true,” James said. “It’s that they don’t have the infrastructure here to support the global businesses they want to attract.”

If America’s prosperity depends on its roadways and transportation system, the future looks bleak.|103

#### Private markets won’t adequate fund infrastructure --- despite benefits to larger economy

Skidelsky & Martin, 11--- \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor(3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” <http://www.skidelskyr.com/site/article/for-a-national-investment-bank/>, JMP)

Another example of the structural economic challenges that a National Investment Bank could help meet is the deterioration of American infrastructure. Investment in America’s transport, energy, and water systems has been allowed to fall to critically low levels over the past four decades. In 2009, the American Society of Civil Engineers estimated investment needs over the next five years alone of $2.2 trillion. Its “Report Card” gave a D or D–rating to the country’s current facilities for aviation, energy, hazardous waste, roads, levees, schools, and transit, among others.

But infrastructure is a prime example of a sector in which the benefits of a project to the broader economy are larger than the private financial return to the owner, with the result that private capital markets, left to their own devices, tend to fund less infrastructure investment than is optimal for the economy as a whole. What is more, the current system of allocating public money to such investment is hopelessly politicized, subject to the pressures of state and local governments and the individual demands of congressmen and senators. As Felix Rohatyn and Everett Erlich proposed in these pages before the crisis struck, a National Investment Bank is the ideal vehicle for solving both these problems.3

#### NIIFF sends a strong federal message to leverage sustained private sector investment and creates millions of jobs in the short-term

Anderson 10 – Progressive Policy Institute Policy Memo, Norman Anderson is the President and CEO for CG/LA, LLC which focuses on the creation of long-term value in the world's infrastructure markets. Core services provided by CG/LA Infrastructure include the Infrastructure Leadership Forum Series, Strategic Consulting, Project Development, and Macroeconomic analysis based on proprietary tools. (Norman, “Charting a Course for National Infrastructure Revival”, February 2010, Progressive Policy Institute, Available online @ <http://www.progressivefix.com/wp-content/uploads/2010/02/Charting-a-Course-for-an-Infrastructure-Revival1.pdf>)//MM

From Concept to Execution But vision and motivation aren’t enough. We also have to execute – to get the mechanics right, and quickly. The third challenge that we need to overcome is that of funding. Specifically, we need a long-term source that will be reliable and impervious to changes in political administrations. Such an agency will also need the authority to select and seed priority infrastructure projects and systems. A National Infrastructure Bank would fill this void. The bank would be capitalized through the sale of infrastructure bonds to middle-class Americans, who would triply benefit from their investments – contributing to better infrastructure, directly engaging in the creation of a stronger country, and individually benefiting from coupon returns on their investment. The bank would cover all infrastructure sectors, from transportation to water to energy, and would need to be capitalized at a level of at least $400 billion over 10 years, yielding a minimum of $160 billion a year in strategic infrastructure investments. The National Infrastructure Bank would be a strategic and necessary complement to the Obama administration’s highly successful Build American Bonds program. Overall, this effort would create between two million and 2.5 million new jobs per year for the next 10 years. We also need a high-functioning public sector – and one viewed as such by the public – if we are to rebuild our infrastructure. More than in most areas of the economy, there is a productive tension in infrastructure policy between the market’s ability to identify opportunities and the long-term wisdom the public sector can provide. Without a strong public sector, this necessary balance – identifying opportunities and creating jobs now, while ensuring benefits for the next generation – will fall out of balance. Private sector energy will never be unleashed on our infrastructure challenges unless there is a strong, high-functioning, and strategic public sector with which it can reliably and aggressively partner.

### AT: CP Conditioning

#### Permutation --- do the plan and only have the National Infrastructure Bank approve projects [that/if] \_\_\_\_\_\_\_\_\_\_

#### Solves the net benefit in the selection process for projects

Replogle, 10 --- Policy Director and Founder, Institute for Transportation and Development Policy (7/23/2010, Michael A. Replogle, “Tie Funding to Performance,” <http://transportation.nationaljournal.com/2010/07/should-federal-government-fron.php>, JMP)

The gas-tax-funded Highway Trust Fund is broke, with the Transit Trust Fund not far behind. Only with large infusions of funds from general revenues is the existing formula-based federal transportation funding framework able to continue at essentially flat levels. It’s time to tie new funding to performance. Are the proposed spending plans likely to achieve improved access to jobs and housing with less pollution and dependence on oil in both the short and long run? Is there a sustainable revenue stream from user fees, taxes, and real-estate value capture sufficient to pay back the needed up front investment? If so, then by all means let’s put the full faith and credit of the federal government behind making these investments happen.

Both the past and current Administrations have wisely sought to focus their modest discretionary transportation spending authority on competitive programs. The Bush Administration’s Urban Partnerships Agreements and Congestion Reduction Pilots conditioned federal funds on increased local efforts to spur innovative finance through congestion pricing or parking pricing, with a focus on improving system performance. The Obama Administration’s TIGER grants and the proposed infrastructure bank or fund offer potential for broader performance-based discretionary funding.

Congress should authorize an infrastructure bank or fund enabling state and local governments to borrow for projects up front and to pay them back over time. But this should include criteria to ensure that investment programs are designed and operated to reduce carbon emissions, support smarter growth, and improve public health. A bank or fund should encourage use of value capture strategies near public transport and smart tolling and traffic management strategies, both to raise revenues and to enhance system effectiveness.

The selection process for an infrastructure bank or fund should have clear evaluation criteria and be open and transparent. The selection process for projects should be based at least in part on a holistic-benefit-cost analysis that seeks to consider externalities, such as induced traffic, climate, pollution, and public health and safety impacts. It should include consideration of reasonable alternatives to proposed actions, including operational and management strategies that might minimize adverse environmental impacts.

While the Los Angeles 30-in-10 program could be a good place to start with such an initiative, there are other cities around America that also have good plans that could benefit from a new infrastructure bank or fund. With America’s economy still in a precarious place, it’s time for Congress to act by spurring a new fiscally responsible approach to long-term infrastructure investment, tying money to performance and to sustainable revenue streams at the local level.

### AT: Other Stimulus / Economy Advantage CPs \*\*\*

#### Substantial, long-term investment in infrastructure is comparatively the best form of stimulus – ensures short-term job-creation and generates a substantial multiplier

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Two credible reports issued last week present compelling and complementary cases for infrastructure investment and should be required reading by members of Congress before their next vote on President Obama’s American Jobs Act. One report was from President Obama’s Council on Jobs and Competitiveness (on which I serve), a nonpartisan group of business and labor leaders, and the other from the New America Foundation, an influential Washington think tank. According to nonpartisan economic forecasters, the jobs act, which proposes about $90 billion in infrastructure spending as part of a $450 billion package of tax cuts and spending, would create about two million jobs. Echoing the views of many economists, the foundation report asserts: “Long-term investment in public infrastructure is the best way to simultaneously create jobs, crowd in private investment, make the economy more productive and generate a multiplier of growth in other sectors of the economy.” In less technical language, the council’s report makes the same point, arguing that infrastructure investment is a “twofer” that creates jobs in the near term and promotes competitiveness and productivity in the long term. Both reports provide sobering evidence of the growing deficiencies of infrastructure in the United States, which millions of Americans experience every day in traffic and airport delays, crumbling and structurally unsafe schools and unreliable train and public transit systems. These deficiencies impose significant costs on the economy. For example, the Department of Transportation estimates that freight bottlenecks cost the American economy about $200 billion a year, the equivalent of more than 1 percent of gross domestic product; the Federal Aviation Administration estimates that air traffic delays cost the economy nearly $33 billion a year. Both reports cite a study by the American Society of Civil Engineers that documents a five-year gap of more than $1.1 trillion between the amount needed for maintenance and improvements of the nation’s public infrastructure and the amount of public funds available for such investment. Several recent bipartisan reports, including one by the former transportation secretaries Norman Mineta and Samuel Skinner, find that the annual spending gap in transportation infrastructure alone is $200 billion. Based on such estimates, the New America Foundation report calls for a five-year public investment program of $1.2 trillion, encompassing transportation, energy, communications and water infrastructure as well as science and technology research and human capital. (In a report I did for the New America Foundation a year ago, I proposed a five-year increase of $1 trillion for infrastructure investment.) The Jobs Council report recommends a significant increase in infrastructure investment but does not set a target. The two reports concur that the multiplier effects of an increase in infrastructure spending are substantial, citing recent estimates by Moody’s and the Congressional Budget Office that $1 billion of infrastructure spending generates about a $1.6 billion increase in G.D.P. According to Moody’s, the multiplier for government spending on infrastructure is even larger than the multiplier for a payroll tax cut, the largest component of the president’s proposed jobs act. And according to the C.B.O., infrastructure spending is one of the most cost-effective forms of government spending in terms of the number of jobs created per dollar of budgetary cost. The Jobs Council report cites studies indicating that each $1 billion of government infrastructure spending creates 4,000 to 18,000 jobs. Most of these jobs are relatively well paid. Critics of infrastructure spending as a form of fiscal stimulus point out that the lags in such spending are long and variable. It often takes considerable time to initiate and complete infrastructure projects, even those deemed “shovel-ready” with engineering plans in place. In 2009, when many economists thought (or hoped) the recession‘s effects would be temporary, the conventional wisdom was that fiscal stimulus measures should be “targeted, timely and temporary.” Nearly three years later, the consensus among economists is that the United States will be mired in an anemic recovery with high unemployment for several years. So what the country needs now is not temporary stimulus measures that increase consumer spending but sustained stimulus that increases investment spending over several years. Yet more than just additional money is required. As the Jobs Council report highlights, an increase in funds must be coupled with reforms to select and carry out projects efficiently, based on cost-benefit analysis. The Obama administration has urged the Congress to adopt such reforms in its reauthorization of multiyear surface-transportation legislation, because political pressures more often drive project selection than cost-benefit considerations. For example, state and local governments frequently allocate federal infrastructure funds to build roads and bridges rather than to fix existing ones, despite compelling evidence that repairs are more cost-effective. A recent study for the Hamilton Project lays out the efficiency case for a “fix it” strategy for spending on transportation infrastructure. Road pavement tends to deteriorate slowly at first; its rate of deterioration accelerates over time. It’s often much cheaper to repair a road early on, when it’s still in fair condition, than when it falls into a condition of serious disrepair. The foundation report makes a related argument, noting that deteriorating infrastructure is subject to “cost acceleration,” as repair and replacement costs rise over time. A project that costs $5 million to repair now may cost more than $30 million to repair two years from now. Deferred maintenance on essential infrastructure is not fiscally wise but fiscally irresponsible. That’s why many of the infrastructure investments in the American Jobs Act focus on rebuilding and repairing roads, bridges and schools. Even when infrastructure projects are carefully selected, they often face permit and approval delays that can last for months, even years — though, recently, far less than the C.B.O. had anticipated. Eighty percent of the highway funds in the American Recovery and Reinvestment Act were deployed between February 2009, when the act was passed, and the end of fiscal year 2011 (far exceeding the C.B.O.’s prediction of 55 percent). The Jobs Council report includes numerous recommendations to reduce permitting and approval delays, calling on local, state and federal agencies to develop coordinated one-stop shops to eliminate duplication and harmonize project approval standards and practices. As a first step, President Obama has identified 14 high-priority infrastructure projects for expedited review and permitting by the relevant federal agencies and has announced the creation of a “Projects Dashboard,” to track the projects as they move through the expedited process. Members of Congress who argue that the federal government cannot afford the infrastructure investments in the American Jobs Act are wrong — the government’s borrowing costs are at a historic low. Borrowing now to fund efficient infrastructure projects will reap returns that exceed these costs and will reduce future deficits through job creation and higher growth. An investment of $10 billion by the federal government to establish a national infrastructure bank, as proposed in the jobs act, would also unleash additional private funds for infrastructure by fostering public-private partnerships. Many other developed countries have similar institutions and have successfully used them to tap private funds for infrastructure. Both of the new reports recommend the establishment of a national infrastructure bank, and bipartisan Congressional support for the idea is growing. As the Jobs Council warns, there is no “silver bullet” that will solve the nation’s jobs crisis. But as the mounting protests around the country warn, the federal government must take concrete steps to address the crisis. Significant, timely and targeted investments in the nation’s deteriorating infrastructure should be one of these steps.

#### Infrastructure investment is a uniquely good stimulus

**Pollin et al 09** – Professor of Economics and Co-director of the Political Economy Research Institute. Heintz, Associate Research Professor and Associate Director, and Garrett-Peltier, Research Assistant. (Robert, James, and Heidi, “How Infrastructure Investments Support the U.S. Economy: Employment, Productivity, and Growth”, Political Economy Research Institute, January 2009, <http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/green_economics/PERI_Infrastructure_Investments>, Callahan)

Three types of job creation: direct, indirect, and induced effects. Direct job creation refers to the jobs directly involved in constructing the new infrastructure projects. Indirect job creation refers to the jobs generated when supplies are purchased for the infrastructure projects. Induced jobs are created when the overall level of spending in the economy rises, due to workers newly receiving incomes when they are hired to build the infrastructure projects, and to produce supplies for the project. Infrastructure investments as job-creation tool. All forms of spending will produce jobs. But infrastructure investment is a highly effective engine of job creation. Thus, infrastructure investment spending will create about 18,000 total jobs for every $1 billion in new investment spending, including direct, indirect, and induced jobs. By contrast, a rise in household spending levels generated by a tax cut will create, at most, about 14,000 total jobs per $1 billion in spending, 22 percent less than infrastructure investments. Overall Job Creation Based on U.S. Needs Assessments Job creation through baseline program. Infrastructure investments of $87 billion per year to meet baseline needs will generate about 1.6 million total new jobs within the U.S., including direct, indirect and induced jobs. Job creation through high-end program. Investments of about $148 billion per year to accelerate the rebuilding of the U.S. infrastructure will generate about 2.6 million new jobs, including direct, indirect, and induced jobs. Job Creation by sector o Construction. The highest proportion of new jobs will be in construction. For the baseline scenario, about 641,000 new construction jobs will be generated. The high-end investment scenario will generate about 1 million new construction jobs. Overall, about 40 percent of all new job creation through either investment program—including direct, indirect, and induced jobs—will be in construction. The construction sector has been severely hit by the recession, with unemployment in the industry rising from 9.4 to 15.3 percent between December 2007 and 2008. o Manufacturing. About 146,000 new manufacturing jobs will result through the baseline investment scenario, and the high-end investment scenario will generate about 252,000 new jobs. About 10 percent of the overall new job creation will be in manufacturing. Manufacturing has also been badly hit by the recession, with unemployment in the industry rising from 4.6 to 8.3 percent between December 2007 and 2008

#### Infrastructure investments are the best way to boost the economy

Fifield, 11 (8/1/2011, Anna, “US: Obstacles to progress,” <http://www.ft.com/intl/cms/s/0/01ff75ec-bc6c-11e0-acb6-00144feabdc0.html#axzz1x8QG4Ame>, JMP)

There is little doubt infrastructure projects are a winner when it comes to creating jobs, even if only in the short term. “For every dollar spent, we get more out of infrastructure investment than anything else,” says Donna Cooper of the liberal Center for American Progress think-tank, a former deputy mayor of Philadelphia. “If you give $1bn in tax breaks, you’re not sure if it creates any jobs. But spend $1bn on bridges and you know it creates 18,000 jobs.”

#### Only the creation of millions of new jobs will create a sustained economic recovery

Hindery & Gerard, 12--- \*founder of Jobs First 2012 and a member of the Council on Foreign Relations, AND \*\*international president of the United Steelworkers and a member of the executive council of the AFL-CIO (5/15/2012, “Re Jobs, Pick the Low Hanging Fruit (Part 2),” <http://www.huffingtonpost.com/leo-hindery-jr/job-creation_b_1517730.html>, JMP)

The fundamental problem back in September when we last urged Congress to take the actions set forth above and the one which persists today is simple economic arithmetic: we need to create more than 18 million jobs in order to be at full employment in real terms, and every month that we delay we need to create at least 150,000 more new jobs just to keep up with population growth. Yet traditional jobs programs -- whether training or tax breaks or credits -- are by nature 'smallish' and can create at most thousands of jobs and certainly not the millions we need.

With the largely jobless recovery continuing -- only 115,000 new jobs created in April - it's far past time for both Houses of Congress to work with the Obama administration to get really serious about **large-scale job creation**. Specifically with Congress, President Obama needs to spend his political capital in moving initiatives forward -- initiatives that will be central to his reelection campaign and top priority items during the rest of this Congressional year including the lame duck session.

The alternative of totally leaving job creation to the private sector did not work under President George W. Bush, when the Recession was just starting and the magnitude of the impending real unemployment crisis was unknown. And it certainly won't work in the still-troubled economy we have today, with all respect to Governor Romney who seemingly believes otherwise.

As we await enactment of the four initiatives above which are still there for the picking -- and why PART 2 to our earlier writings is now necessary -- must now be added: (1) especially and most urgently, the pending highway bill (S. 1813); (2) President Obama's largely ignored initiative to immediately repair the nation's schools in a big way; and (3) expansion of the tax credit program for investments in manufacturing facilities for clean energy technologies, which was part of the American Recovery and Reinvestment Act and has proven highly effective in job creation.

These latter three initiatives, which almost no right-minded policy maker and economist can believe aren't being acted on, are the 2012 version of "shovel ready projects". Depending only on how much is actually committed to the programs, there is nothing in the very short term that could better and more meaningfully jumpstart our still troubled economy and substantially chip away at the nation's massive real unemployment challenge.

Not only would these initiatives materially jumpstart job creation in the immediate term, but it is likely that they would at once both reignite the debate in Congress on the four 'low hangers' that we first began to write about years ago and, as well, give corporate CEOs the confidence they need to start spending, on their own new investments and hiring, some of the $2 trillion now sitting fallow in their own treasuries. It's all that eventual combined spending which will sustain long-term job creation.

The school repair and renovation opportunity is such an obvious jobs creator -- and moral imperative -- that it needs no elaboration and really just a major push from Congress.

As for more clean energy manufacturing tax credits, the original $2.3 billion of credits for advanced energy manufacturing facilities will, when fully used, generate more than 17,000 jobs, while the matching or companion $5.4 billion or so in private sector funding will likely generate up to 41,000 additional jobs. These are meaningful numbers for sure, but they immediately pale when the magnitude of this energy sector is measured and the number of real unemployed workers is considered.

President Obama just announced (on May 8) that he wants Congress to extend this program and materially expand it. When Congress has done this, the program will, if it continues to follow its statutorily specified review criteria of greatest domestic job creation (both direct and indirect) and greatest potential for technological innovation and commercial deployment, create not just thousands of great new American jobs but rather millions of them in manufacturing facilities producing everything from solar, wind, geothermal, or other renewable energy equipment to electric grids and storage for renewables to fuel cells and microturbines to equipment for refining or blending renewable fuels.

The big immediate opportunity, however, is the pending highway bill and the projected 2.9 million jobs it would almost immediately create before the summer and fall construction seasons bleed away. This bill is, in fact, such an obvious massive, immediate job creator that if the Republicans in Congress continue to stall it from passing out of conference, there can be no better example of just how extremist in their governance they have become.

Unless the real unemployment jobs crisis -- with 26.7 million women and men still unemployed in real terms and a real unemployment rate of 16.6% -- is frontally challenged by pursuing all of the low-hanging job-creating initiatives -- of which four has now become seven -- it's not possible to anticipate a sustained economic recovery that fully revitalizes the middle class. But when they are picked and enacted, then the engines of economic growth will start to turn over and really roar.

#### The bank will generate 50 million new jobs

Hindery & Gerard, 12--- \*founder of Jobs First 2012 and a member of the Council on Foreign Relations, AND \*\*international president of the United Steelworkers and a member of the executive council of the AFL-CIO (5/15/2012, “Re Jobs, Pick the Low Hanging Fruit (Part 2),” <http://www.huffingtonpost.com/leo-hindery-jr/job-creation_b_1517730.html>, JMP)

2. Infrastructure Investment. After years of under-investing in public infrastructure, America faces an infrastructure deficit of $3 trillion that is impeding economic growth and undermining our economy's efficiency. We need to spend $2.2 trillion just to meet America's core infrastructure needs, according to the American Society of Civil Engineers.

The administration and Congress should commit to at least $2 trillion of infrastructure spending over the next 10 to 15 years using the resources of a new National Infrastructure Bank that would be an independent financial institution owned by the government and supported by a soft federal guarantee on the order of $200 billion. This federal guarantee, appropriately structured, would not need to be 'scored' for budget purposes given the numerous layers of investment above it. In turn, the Bank should be able to invite private investment, notably including state and local government pension plan investments, aggregating about $1.8 trillion.

Each $1 billion of infrastructure spending funded by the Bank would create around 25,000 permanent jobs. Two trillion dollars of such spending could equate, over the years, to as many as 50 million new jobs.

## Topicality Answers

### AT: Topicality “Increase”

#### Will increase the total amount of infrastructure investment

Garrett-Peltier, 10--- research fellow at the Political Economy Research Institute at the University of Massachusetts, Amherst (11/1/2010, Heidi, Dollars & Sense, “The case for a national infrastructure bank: a bank could be a recession-proof source of jobs,” Factiva, JMP)

In any case, a national infrastructure bank would make an important contribution to upgrading and expanding the country's infrastructure. It would boost the overall level of infrastructure spending. By leveraging private investment, it could continue to fund infrastructure projects even during recessions. Plus, it would make infrastructure spending more equitable since it would raise funds from a geographically distributed population, then target those funds toward the areas of greatest need.

#### It doesn’t trade off with current programs -- NIB is funding through new appropriations

Thomasson, 11 --- Director of Public Policy, Progressive Policy Institute (10/12/2011, Scott, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape," Factiva) // NK

Myth #8: Funding for a national infrastructure bank would rob from proposed funding for Highway Trust Fund programs, including TIFIA and state infrastructure banks.

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

### AT: Topicality “Increase = Existing”

#### The plan expands existing federal transportation infrastructure investment

Voorhees, 10 (2/1/2010, Josh, “White House Budget Seeks $4B for Transportation Infrastructure Bank,” <http://www.nytimes.com/gwire/2010/02/01/01greenwire-white-house-budget-seeks-4b-for-transportation-i-444.html>, JMP)

President Obama's proposed fiscal 2011 budget would create a national infrastructure bank to fund major transportation projects and provide an additional $1 billion for high-speed rail projects.

As expected, the request for overall spending on the two largest federal ground transportation programs, highways and transit, remained relatively constant from the previous year. The federal highway program would receive a $200 million bump to $41.3 billion, and transit investment would climb roughly $70 million to $10.8 billion.

The infrastructure bank -- called a National Infrastructure Innovation and Finance Fund -- would be used to expand existing federal transportation investments by providing direct federal funding and seed money for large-scale capital project grants that "provide a significant economic benefit to the nation or a region."

Obama requested $4 billion to launch the bank, $2.6 billion of which would be handed out in grants or loans during fiscal 2011. Roughly $270 million would be used for administrative, planning and project analysis costs, with the remaining carried over to the next year.

"The National Infrastructure Innovation and Finance Fund will establish a new direction in federal infrastructure investment that emphasizes demonstrable merit and analytical measures of performance," the budget states.

Obama requested $5 billion to launch the bank last year, but appropriators balked at providing the cash until Congress first passed legislation that would officially create the bank. During his presidential campaign in the summer of 2008, Obama called for a total of $60 billion over 10 years for the bank.

A number of transportation advocates -- including Pennsylvania Gov. Ed Rendell (D), the Center for National Policy and the American Association of State Highway and Transportation Officials -- have pushed lawmakers to launch the infrastructure fund. Senate Banking Chairman Chris Dodd (D-Conn.) has said that creating it will be one of his top priorities this year, his last before he retires from the Senate (E&ENews PM, Jan. 20).

### AT: Topicality “It’s Transportation Infrastructure Investment”

#### The plan expands federal transportation infrastructure investment

\*\*\*Note --- the 1ac Lovaa evidence says the National Infrastructure Innovation and Finance Fund is a transportation only infrastructure bank

Voorhees, 10 (2/1/2010, Josh, “White House Budget Seeks $4B for Transportation Infrastructure Bank,” <http://www.nytimes.com/gwire/2010/02/01/01greenwire-white-house-budget-seeks-4b-for-transportation-i-444.html>, JMP)

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### AT: Topicality “Its”

#### The NIB is appointed by and answerable to the government

McConaghy & Kessler, 11 --- \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” <http://www.bernardlschwartz.com/political-initiatives/Third_Way_Idea_Brief_-_A_National_Infrastructure_Bank-1.pdf>, JMP)

Wouldn’t this proposal transfer decisions over significant federal spending to an independent, largely unaccountable government entity?

No. The officials in charge of decision making at the bank would still be appointed by and answerable to elected officials. The NIB would be similar to several other successful institutions, such as the FDIC, which have been able to successfully and independently perform their duties with sufficient oversight. Institutions such as the California Infrastructure and Development Bank and European Investment Bank have shown that an infrastructure bank can operate effectively and be accountable.

#### Government owned and will provide billions in direct financial assistance

Senator Coons, 11 (11/3/2011, U.S. Senator Chris Coons (D-Del.), Targeted News Service, “In Floor Speech, Senator Coons Calls a National Infrastructure Bank a Creative Approach to Critical Investment,” Factiva, JMP)

Remember, we need more than $400 billion a year in investment right now just to keep up, but we all know that the constrained budgets of our county, state and local governments can't get the financing they need. This infrastructure bank would provide the leverage, a vehicle to finance desperately needed projects.

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An infrastructure bank passed by the Senate this week could provide up to $160 billion in direct financial assistance over its first ten years to infrastructure for transportation, and that would be paired with private investment that could double, triple or even quadruple increasing the full impact of this bank.

I said yesterday, Mr. President, that infrastructure is a smart investment for our country, that a national infrastructure bank, as a part of that strategy, would provide a vehicle for the private sector to get in on this investment as well and to help us accelerate our move towards the future. This, Mr. President, is smart policy.

### --- XT: Uses Federal Funds

#### NIB will use federal funds to leverage additional funding for infrastructure projects

Garrett-Peltier, 10--- research fellow at the Political Economy Research Institute at the University of Massachusetts, Amherst (11/1/2010, Heidi, Dollars & Sense, “The case for a national infrastructure bank: a bank could be a recession-proof source of jobs,” Factiva, JMP)

Today the United States invests in infrastructure at only half the level the ASCE recommends. One proposal for an innovative method to finance infrastructure is currently garnering bipartisan interest--a national infrastructure bank (NIB). An NIB would be a quasi-public agency whose function would be to use some federal funds to leverage a much larger amount of state, local, and private money which it would then provide to infrastructure projects.

An NIB could use various tools to finance infrastructure. It could sell bonds to private investors. It could be set up as a revolving loan fund, whereby an initial pool of funds is lent, and future loans made only once the earlier ones are repaid. It could even make grants for certain projects.

### AT: Topicality “Infrastructure Investment”

#### Bank will increase infrastructure investment

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

From time to time, collapsed bridges, failed dams, and ruptured water pipes remind us of the need for increased investment in the maintenance of U.S. infrastructure. Overall, we know that the condition of our infrastructure is generally declining, especially in metropolitan areas. There is also growing concern that the infrastructure that exists today is woefully obsolete, geared more for a prior generation than for the challenges of the 21st century.

The federal government spends about $65 billion each year on infrastructure—transportation, energy, water and environmental protection [1]. While the figure is not negligible, the investment in infrastructure is only 2.2 percent of total federal spending. More than three-quarters of this spending consists of transportation grants to state and local governments ($50.4 billion) [2].

While most of the attention has been on increasing funding for projects, there are also renewed calls to improve **the way the federal government invests in infrastructure**. Today, the federal government generally does not select projects on a merit basis, is biased against maintenance, and involves little long term planning. In this context, **there is interest in a new federal entity for funding and financing infrastructure projects through a national infrastructure bank**.

Mr. Chairman, I believe that while a national infrastructure bank is not a panacea, if appropriately designed and with sufficient political autonomy, it could improve both the efficiency and effectiveness of future federal infrastructure projects of national and regional importance [3].

Background

A national infrastructure bank (NIB) is a targeted mechanism of financing infrastructure. A development bank in essence, an NIB would have to balance the rate-of-return priorities of a bank with the policy goals of a federal agency. The creation of such a special financing entity for infrastructure has been discussed in policy circles for at least 20 years.

Across the Atlantic, the European Investment Bank (EIB) has been functioning successfully for the last 50 years, playing a major role in connecting the European Union across national borders. The EIB has nearly $300 billion in subscribed capital by all the 27 European Union member countries. In 2009, the EIB disbursed over $70 billion, mainly on transportation, energy and global loans [4]. While not trying to maximize profit, EIB functions as a bank, not as a grant-making mechanism. The EIB raises funds from capital markets and lends them at higher rates, keeping its operations financially sustainable. It offers debt instruments, such as loans and debt guarantees, and technical assistance.

While it may take different forms, NIB proposals in the U.S. generally envisage an entity that improves the federal investment process in infrastructure assets that meet some measure of significance **and accelerates the investments in such projects** [5]. The focus is on multi-jurisdictional or multi-modal projects with regional or national impact.

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Conclusion

A more competitive U.S. economy needs a better infrastructure system. In a time of limited resources, **improving the federal investment process should be a priority over finding ways to merely increase the amount of funding for infrastructure.**

If designed and implemented appropriately, a national infrastructure bank would be a targeted mechanism to deal with new federal infrastructure spending. An NIB would provide a better project selection process for neglected federal investment in infrastructure, such as capital projects across jurisdictions and state borders, but also there would be more rigorous evaluation of projects across different types of infrastructure.

Yet an NIB is not a silver bullet for dealing with infrastructure reform, either. It would not overhaul the current federal investment, but be limited only to new projects funded through its mechanism. In the end, an NIB should be thought of as a precision tool and not a blunt instrument.

### 2ac Topicality Effects

#### The topic says increase transportation infrastructure INVESTMENT --- not exclusively build new infrastructure projects. The infrastructure bank is at the heart of the debate over which investment strategy to choose.

#### Their interpretation means that no aff could specify the means it uses to boost investment --- destroys indepth debates at the core of increasing investments.

#### The plan expands federal transportation infrastructure investment

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#### Default to contextual evidence --- demonstrates predictability and solvency advocates and federal key warrants are a sufficient functional limit on the topic.

#### Plan provides billions in direct financial assistance

Senator Coons, 11 (11/3/2011, U.S. Senator Chris Coons (D-Del.), Targeted News Service, “In Floor Speech, Senator Coons Calls a National Infrastructure Bank a Creative Approach to Critical Investment,” Factiva, JMP)

Remember, we need more than $400 billion a year in investment right now just to keep up, but we all know that the constrained budgets of our county, state and local governments can't get the financing they need. This infrastructure bank would provide the leverage, a vehicle to finance desperately needed projects.

Just a few things about it: It would be for big projects, projects that cost more than $25 million in rural communities, $100 million in the rest of the country. It would only be allowed to finance up to 50% of a project to avoid crowding out private capital, to make sure that private capital has got skin in the game so it's a viable project. It's my expectation, in fact, that the infrastructure bank would finance a much smaller piece of most projects, just enough to bring private investment to the table. It would be government owned but independently operated, have its own bipartisan board of directors and function much like the successful Export-Import Bank.

An infrastructure bank passed by the Senate this week could provide up to $160 billion in direct financial assistance over its first ten years to infrastructure for transportation, and that would be paired with private investment that could double, triple or even quadruple increasing the full impact of this bank.

I said yesterday, Mr. President, that infrastructure is a smart investment for our country, that a national infrastructure bank, as a part of that strategy, would provide a vehicle for the private sector to get in on this investment as well and to help us accelerate our move towards the future. This, Mr. President, is smart policy.

#### Their interpretation is inconsistent with the current trend of federal investment --- limits out core aff areas like TIFIA. This proves they move the goal posts to create an arbitrarily more limited topic.

Yarema, 11 --- chair of the Infrastructure Practice Group at the law firm, Nossaman LLP (10/12/2011, Geoffrey, Congressional Documents and Publications, House Transportation and Infrastructure Subcommittee on Highways and Transit Hearing - "National Infrastructure Bank: More Bureaucracy and More Red Tape" Factiva, JMP)

Chairman Duncan, Ranking Member DeFazio and members of the Subcommittee, thank you for inviting me to testify today. My name is Geoff Yarema. I chair the Infrastructure Practice Group at the law firm, Nossaman LLP. We advise state and regional transportation agencies around the country in the innovative procurement, contracting and financing of large transportation projects in ways that minimize the use of federal gas tax revenues.

Nossaman has assisted in the delivery of many of the signature projects that have utilized the foundational mechanisms provided by the existing surface transportation authorization bill, SAFETEA-LU, helping to build the next generation of transportation infrastructure. I was also privileged to serve, at the behest of former Secretary of Transportation Mary Peters, as a Commissioner on the 'National Surface Transportation Infrastructure Financing Commission (the "Financing Commission"). My testimony today reflects my experience on the ground advising public agencies and my two years of work on the Commission.

A. The Evolution of Federal Infrastructure Funding.

As the Subcommittee is well aware, the role of the federal government in delivering large transportation infrastructure projects is changing. Historically, the function of the federal government has been to provide both funding and to regulate how that funding is spent.

Today, federal resources for transportation infrastructure fall far short of need and the expectation that the federal government would or could fix the nation's aging surface transportation system with a direct infusion of federal dollars is fading. Compelled by these very real fiscal constraints, the federal government has been moving away from the traditional, apportionment-based funding paradigm and toward a credit assistance and incentives-based model that leverages fewer federal dollars to maximize local, state and private contributions to finance large transportation projects of regional and national significance.

B. The Evolution Is Already Underway.

This shift in thinking about the federal government's role in financing transportation infrastructure is evidenced by one of the key components of President Obama's proposed Jobs Act: the much-buzzed about national infrastructure bank. The concept, as the President has explained it, would be to use federal dollars to leverage private investment to finance large public works projects. The President has touted the ability of an infrastructure bank to harness substantial private and other non-Federal dollars for capital-intensive projects, including transportation projects that are critical to mobility, goods movement and economic growth. Frankly, I couldn't agree more.

I couldn't agree more because, as far as transportation projects are concerned, we already have a national infrastructure bank - it's called TIF1A. Authorized by the Transportation Infrastructure Finance and Innovation Act, the TIFIA program has been providing federal credit assistance to large-scale highway, transit and rail projects since 1998. In the 12 years that the U.S. Department of Transportation (the "USDOT") has been administering the TIFIA program, we have seen how effective federal offerings of tow-cost financing can be in accelerating the delivery of qualified projects - projects that generate significant economic benefits, implement new technologies and attract private and non-Federal investment.

### --- 1ar AT: Effects T

#### Establish the NIB is transportation infrastructure investment

DOT 12 – President’s Budget Department of Transportation Overall Summary (Department of Transportation, 7-11-2012, “Department of Transportation Fiscal Year 2012 Budget Highlights”, Online @ [http://www.dot.gov/budget/2012/fy2012budgethighlights.pdf)//MM](http://www.dot.gov/budget/2012/fy2012budgethighlights.pdf%29//MM)

22 - DOT Budget Highlights¶ National Infrastructure Bank¶ Overview: The National Infrastructure Bank (I-Bank) will leverage Federal dollars and focus on investments¶ of National and regional significance that often fall through the cracks between the traditional transportation¶ programs. The I-Bank would encourage private, State, and local entities to invest capital in projects that are¶ most critical to our economic progress. The I-Bank will base its investment decisions on clear analytical¶ measures of performance, competing projects against each other to determine which will produce the greatest return for American taxpayers.¶ • The National Infrastructure Bank: The President is requesting $5 billion in FY 2012 to establish an¶ I-Bank that will provide grants, loans, and a blend of both. Projects eligible for funding include multimodal¶ projects for highway, transit, rail, aviation, including equipage, ports, and maritime initiatives.¶ o Of the $5 billion in funds requested, $200 million is for planning and cost/benefit analysis and¶ $70 million is for establishing and administering the program.¶ o The I-Bank will be a new entity within the Department of Transportation reporting to the¶ Secretary and headed by an Executive Director who is appointed by the President and confirmed¶ by the Senate.¶ o The FY 2012 Budget requests 100 FTEs to staff the bank.¶

### 2ac Topicality --- Loan Guarantees Aren’t Investment

#### We meet direct cash transfers --- the plan spends billions guaranteed to ensure investments through the infrastructure bank. This is not conditional and gives links to core generics like spending and politics.

#### They have zero evidence in the context transportation infrastructure that loan guarantees are not a form of federal investment. Their link evidence is actually about DOE energy policies.

We meet their interpretation

**DOE, 9** – (“Federal Loan Guarantees of Electric Power Transmission Infrastructure Investment Projects” July 29, 2009 http://lpo.energy.gov/wp-content/uploads/2010/09/2009-CPLX-TRANS-sol.pdf)//aberg

This solicitation announcement (“Solicitation”) invites the submission of applications for **loan guarantees from the United States** Department of Energy (“DOE” or the “Department”) under Section 1705 of Title XVII of the Energy Policy Act of 2005, 22 U.S.C. 16511-16514, as amended (“Title XVII”), **in support of** debt financing for Transmission **Infrastructure Investment Projects** (**as defined** in Section II.A below) located **in the United States.** Title XVII was amended by Section 406 of the American Recovery and Reinvestment Act of 2009, P.L. 111-5 (the “Recovery Act”), to create Section 1705 authorizing a new program for rapid deployment of renewable energy and electric power transmission projects (the “Section 1705 Program”). The primary purposes of the Recovery Act are job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization. The Section 1705 Program is designed to address the current economic conditions of the nation, in part, through renewable and transmission projects. The Recovery Act provides that approximately five billion nine hundred sixty five million dollars ($5,965,000,000) in appropriated funds be made available until expended to pay the Credit Subsidy Costs (as defined below) of loan guarantees issued under Section 1705 of Title XVII for certain renewable energy systems, electric transmission systems and leading edge biofuels projects.

#### Counter-interpretation – loan guarantees are infrastructure investment

**NEI 11** Nuclear Energy Institute Issues in Focus Loan Guarantees For Clean Energy Development [www.nei.org/filefolder/loanguaranteefastfacts.pdf](http://www.nei.org/filefolder/loanguaranteefastfacts.pdf) BK

Loan guarantees are widely and successfully used by the federal government to ensure investment in critical infrastructure. The federal government uses loan guarantees to enable investment in critical national needs, **including** shipbuilding, **transportation** **infrastructure**, exports of U.S. goods and services, affordable housing, and many other purposes. The federal government manages a successful loan guarantee portfolio of $1.2 trillion.

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### **--- 1ar Loan Guarantees Are TI Investment**

#### Loan guarantees are a form of transportation infrastructure investment.

Cooper 12 — Donna Cooper, Senior Fellow with the Economic Policy Team at the Center for American Progress, 2012 (“Meeting the Infrastructure Imperative: An Affordable Plan to Put Americans Back to Work Rebuilding Our Nation’s Infrastructure,” Center for American Progress, February, Available Online at http://www.americanprogress.org/issues/2012/02/pdf/infrastructure.pdf, Accessed 07-02-2012, p. 16)

Within the Department of Transportation, more than 100 different programs share the responsibility for transportation investments.34 An additional five federal agencies are responsible for oversight of significant infrastructure improvements and systems, including the Departments of Energy, Defense, Treasury, and Agriculture, alongside the Environmental Protection Agency. These agencies have three infrastructure funding and financing tools at their disposal:

• Direct grants

• Loans and loan guarantees

• Tax expenditures

### --- 1ar Limit Out TIFIA

#### Loan guarantees are the core of the topic – TIFIA is critical to transportation investment

Nichols 12 – manages MPC's transportation work at the federal, state and local levels, and is working with Congress and national partners to establish performance metrics in the federal transportation authorization that include economic development and local involvement. Prior to joining MPC, Chrissy was the associate executive director of a Chicago-based fiscal policy think tank where she worked on tax, budget and education funding policies, including drafting legislation to reform Illinois’ education and tax systems and modeling its impacts. (Chrissy, “Talking Transit: TIFIA plays a critical role in funding transit”, Metropolitan Planning Council, June 29, 2012, <http://www.metroplanning.org/news-events/article/6448>, Callahan)

Did you know? The federal TIFIA loan program is so popular that in 2012, the U.S. Dept. of Transportation received 26 TIFIA letters of interest exceeding $13 billion, about 13 times the financing available. Funding for it was increased tenfold in H.R. 4348, MAP-21- the new transportation reauthorization. TIFIA is now authorized at $750 million next year and $1 billion in 2014, up from $122 million. That could fund about $10 billion in project loans. Established by Congress in 1998, the Transportation Infrastructure Finance and Innovation Act loan program (TIFIA) has played a crucial role in financing numerous large-scale transportation projects that otherwise might not have been built because of their size and complexity. Unlike a grant program, TIFIA provides loans and loan guarantees to public and private entities to help finance highway, transit, intercity passenger facilities, and freight rail projects. In a recent blog post, U.S. Sec. of Transportation Ray LaHood wrote, “A little TIFIA can go a long way,” and he’s right: Each dollar of federal funds can provide up to $10 in TIFIA credit assistance and leverage $30 in transportation infrastructure. Funding for TIFIA was increased tenfold in H.R. 4348, MAP-21, the new transportation reauthorization. TIFIA is now authorized at $750 million next year and $1 billion in 2014, up from $122 million. That could fund about $10 billion in project loans. TIFIA was created because state and local governments had trouble financing major transportation projects backed by revenues that are difficult to predict, such as transit sales taxes, tolls, or tax increment financing (TIF). TIFIA helps by providing low interest loans (pegged at the Treasury rate) at attractive repayment terms to close the funding gap for these projects and leverage local and private investment.

TIFIA assistance has advanced numerous transit projects across the country. The Chicago Transit Authority will combine an $80 million TIFIA loan with federal TIGER funding, bond sales, and other state and federal funds as part of an overall $240 million funding package to renovate the Red Line’s 95st Street Terminal, one of the its busiest. The intermodal project will reduce pedestrian and bus congestion, cut travel times, improve accessibility, and be a catalyst for new economic development on Chicago’s south side.

Another example is Denver’s Eagle P3, the first commuter rail public-private partnership in the country. TIFIA financing, backed by a voter-approved sales tax increase, closed a $280 million funding gap. The Eagle P3 is part of Denver’s FasTraks transit system, a $7 billion, 12-year program to build 122 miles of new commuter and light rail and 18 miles of bus rapid transit service across the eight-county region. A renovated Denver Union Station will serve as the hub of FasTraks and the core of a new vibrant, pedestrian and transit-friendly neighborhood. The $484 million renovation was financed with a $145 million TIFIA loan backed by a surrounding TIF district.

In San Francisco, $171 million in TIFIA financing will be leveraged to fund the $1.5 billion Transbay Transit Center, which will transform an old bus terminal into a modern, multimodal transportation hub that will centralize the Bay Area’s 11 transit systems and serve as the future terminus for the high-speed rail route planned for San Francisco to Los Angeles. The Transbay Transit Center will anchor a new transit-friendly neighborhood just south of San Francisco’s Financial District, including a 5.4-acre rooftop park and a 1,000-foot-tall office tower that will become the city’s tallest building. Revenues from the TIF district created in this new neighborhood will go toward repayment of the TIFIA loan.

Regrettably what was the greatest strength of the TIFIA program, its strong project selection criteria, has been eliminated under the new federal transportation reauthorization. TIFIA loans will now be available on a first-come, first-served basis instead of through a competitive process. Prior to the new law, loans were given only to the most viable projects of national or regional significance, backed by a dedicated revenue stream capable of repaying the original investment, and senior debts had to gain an investment-grade rating. It is not unclear why this change was made, but given the success of the current TIFIA prioritization process, it should be reinstated.

The new law also increases the percent of TIFIA financing that may cover total projects costs from 33 to 49 percent. This change still will require public agencies to come up with significant funds from other confident investors, ensuring only projects of the highest merit will advance.

The TIFIA program offers state and local governments additional financing options to meet America’s growing transportation demands. As consumers continue to choose fuel-efficient vehicles, the current basis for funding transportation – the gas tax – is unsustainable. With Congress unlikely to index the motor fuel tax, innovative programs such as TIFIA must be expanded. In the face of shrinking public resources, TIFIA provides critical financing options for transportation investments that will improve quality of life, air quality, and the economy.

#### Loan guarantees are part of TIFIA.

DOT 12 — U.S. Department of Transportation, last updated in 2012 (“TIFIA Defined,” Available Online at http://www.fhwa.dot.gov/ipd/tifia/defined/, Accessed 07-02-2012)

The TIFIA credit program offers three distinct types of financial assistance designed to address the varying requirements of projects throughout their life cycles:

Secured (direct) loan - Offers flexible repayment terms and provides combined construction and permanent financing of capital costs. Maximum term of 35 years from substantial completion. Repayments can start up to five years after substantial completion to allow time for facility construction and ramp-up.

Loan guarantee - Provides full-faith-and-credit guarantees by the Federal Government and guarantees a borrower's repayments to non-Federal lender. Loan repayments to lender must commence no later than five years after substantial completion of project.

Standby line of credit - Represents a secondary source of funding in the form of a contingent Federal loan to supplement project revenues, if needed, during the first 10 years of project operations, available up to 10 years after substantial completion of project.

#### TIFIA is transportation infrastructure investment.

DOT 12 — U.S. Department of Transportation, last updated in 2012 (“TIFIA Defined,” Available Online at http://www.fhwa.dot.gov/ipd/tifia/defined/, Accessed 07-02-2012)

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides credit assistance for qualified projects of regional and national significance. Many large-scale, surface transportation projects - highway, transit, railroad, intermodal freight, and port access - are eligible for assistance. Eligible applicants include state and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities. The TIFIA credit program is designed to fill market gaps and leverage substantial private co-investment by providing supplemental and subordinate capital. Each dollar of Federal funds can provide up to $10 in TIFIA credit assistance and support up to $30 in transportation infrastructure investment.

### AT: Extra Topicality (More Than Just Transportation)

#### Bank will create a national transportation policy

Fifield, 11 (8/1/2011, Anna, “US: Obstacles to progress,” <http://www.ft.com/intl/cms/s/0/01ff75ec-bc6c-11e0-acb6-00144feabdc0.html#axzz1x8QG4Ame>, JMP)

The bank also offers something sorely missing from US transport policy, which has not been updated since the 1960s: a national strategy. It would have an independent board of directors that would give projects the green light based on need, rather than pork-barrel politics. Lawmakers have used “earmarks” to win funding for developments in their district, regardless of whether they made regional or national sense. The most notorious was the $398m Alaska bridge connecting the island to a town of 50 people, which was scrapped in 2007 after a public outcry.

“I don’t think the American public needs any convincing that we need infrastructure investment,” says Ms Cooper. “I think they need convincing that the government can do it right, and that they won’t waste their money on bridges to nowhere.”

#### Infrastructure Bank can be transportation only

Snyder, 11--- Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio (10/28/2011, Tanya, “Why Create an Infrastructure Bank When We Could Just Expand TIFIA?” <http://dc.streetsblog.org/2011/10/28/why-create-an-infrastructure-bank-when-we-could-just-expand-tifia/>, JMP)

**\*\*\* Geoffrey Yarema of Nossaman LLP (a law firm specializing in public-private partnerships for infrastructure projects)**

One thing he and other transportation advocates like about TIFIA is that it’s only for transportation. While the Rockefeller-Lautenberg infrastructure bank proposal in the Senate is transportation-only (at least at first), the dominant I-bank proposal is the Kerry-Hutchison version, which would include other forms of infrastructure like energy and water treatment. Yarema admitted that some may see the breadth of scope as a strength of the bank concept, but he was concerned that “transportation would be in there competing for loans, not just with other transportation projects, but with dams and levees and ports and all kinds of infrastructure.”

#### Can be limited to transportation

Puentes, 10 --- senior fellow with the Brookings Institution’s Metropolitan Policy Program (5/13/2010, Robert, “Hearing on Infrastructure Banks,” <http://www.brookings.edu/research/testimony/2010/05/13-infrastructure-puentes>, JMP)

Yet despite this general agreement about the purpose of an NIB some outstanding questions remain. For one, it is unclear whether it would be limited to certain sectors, such as transportation, or if it would allow for applications from a variety of infrastructure areas. Another is its governance structure, upon which the budgetary impact of federal investment through an NIB depends heavily. Here there are myriad options. It could be housed within a federal agency, established as a government-owned corporation (like Amtrak), or as a shareholder–owned corporation (like government sponsored enterprises) [6]. The precise structure, then, influences what types of funding and financing it would provide.

### AT: Specification

#### Vagueness is real world and strategic

Plautz, 10 (9/22/2010, Jason, Environment & Energy Daily, “DEVELOPMENT; Backers say infrastructure bank wouldn't repeat Fannie, Freddie mess,” Factiva, JMP)

"Americans have always been builders," Sen. John Kerry (D-Mass.) testified at the hearing. "But for too long, we have lacked adequate investments in our infrastructure and what building we have done has been without a long-term strategic plan. A national infrastructure bank will change that. A national infrastructure bank will make Americans builders again."

The plans put out by the administration were vague -- deliberately so, according to Roy Kienitz, undersecretary for policy at the Department of Transportation. He said that given DOT's involvement, many of the projects funded would likely be transportation related, ranging from high-speed rail to bridge construction. But other witnesses said the funding could be expanded to fund initiatives like expansion of broadband Internet or upgrading the electric grid.

The latter statements helped ease the concerns of some senators from rural states, who worried that the NIB would only go to roads in busy urban areas. Sen. Jon Tester (D) said his home state of Montana probably would not see a lot of infrastructure investment, though Kienitz noted that every state would benefit from, say, cheaper goods on a better freight line.