# 1AC

### Inherency

#### Future Infrastructure budget cuts are inevitable – We must locate other means of investment to rebuild and innovate

Michael Likosky et. al 2011 June, senior fellow at NYU’s Institute

for Public knowledge, Josh Ishimatsu, senior fellow at the C enter on L aw

& Public Finance, and Joyce Miller, senior fellow at the C enter on L aw

& Public Finance, The Social Science Research Council (SSRC) leads innovation, builds

interdisciplinary and international networks, “Rethinking 21st - Century Government: Public-Private Partnerships And The National Infrastructure Bank” http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf

In an era of severe budgetary constraints, how can the federal government ensure that America is investing in what is needed to promote economic competitiveness, broad-based opportunity, and energy security? Increasingly, public-private partnerships enjoy broad support as the answer to this question, across party lines and political divisions. Partnership-driven projects are pursued today in wide-ranging areas, including education, transportation, technology, oil and gas, clean energy, mineral extraction, and manufacturing. Well-considered partnerships compliment, strengthen, and reinforce those existing meritorious approaches carried out through traditional means. They represent a fundamentally distinct way for government to address complex challenges, with federal agencies playing a catalytic role rather than a directive one. A National Infrastructure Bank can provide the requisite capacity to implement public-private partnerships. America is at a standstill. Federal, state, and local governments are facing overburdened public balance sheets while enormous sums sit in limbo in pension funds and in the accounts of what the M cKinsey G lobal Institute has called the new global power brokers: Asian sovereign funds, petrodollar accounts, private equity funds, and hedge funds.1 It is why President Obama posed this question to his Economic Recovery Advisory Board in 2009: Obviously we’re entering into an era of greater fiscal restraint as we move out of deep recession into a recovery. And the question I’ve had is people still got a lot of capital on the sidelines there that are looking for a good return. Is there a way to channel that private capital into partnering with the public sector to get some of this infrastructure built?2 Unless we can shepherd this money into our productive economy, the country will have to forego much-needed projects for lack of financing. Public-private partnerships involve federal agencies coinvesting alongside state and local governments, private firms, and nonprofits. Having partnerships within a government’s toolbox not only brings a sizable new source of capital into the market, it also allows public officials to match assets with the most appropriate and cost-effective means of financing. If a class of existing and new projects can be financed from private sources, then we can begin to decrease our debt burden while also investing and growing our economy. Scarce public funds are then freed up to be spent on essential services and those projects best financed through traditional means. Because the success of partnerships depends upon collaborations between government and private firms that may under other circumstances be viewed as raising conflicts of interest, a rethinking of the function of government is essential. In a recent opinion piece in the Wall Street Journal, the president announced an executive order, Improving Regulation and Regulatory Review,3 which “requires that federal agencies ensure that regulations protect our safety, health and environment while promoting economic growth.”4 The piece, entitled “Toward a 21st-Century Regulatory System,” was accompanied by an evocative drawing of a regulator wielding an oversized pair of scissors busily cutting through a sea of red tape. While widely viewed as an effort to curry favor with American businesses, this presidential outreach can also be read as an indication that the federal government will support—and encourage— divergent groups working together to cut through outmoded, counterproductive, or unnecessarily burdensome regulation. Public-private partnerships are especially suited to fulfilling the order’s directives and can serve as a model for our twenty-first-century federal agencies. If coming together as a team—public and private, Republican and Democrat, progressive and Tea Party—is a precondition not only to winning the future but also to solving today’s seemingly intractable problems, then we must take the task at hand seriously. Diverse groups must appreciate the unique and valuable resources and perspectives that those who are their combatants in other contexts bring to the team. Government agencies, more accustomed to acting as referee—setting down basic rules of the game and constraining behavior deemed contrary to the public interest—must find ways of coaching this unruly bunch, not from the sidelines but as a vital player. Government as Player-Coach In a recent appearance at Gamesa Technology Corporation’s factory in Fairless H ills, Pennsylvania, President Obama called attention to the political challenge inherent to any large undertaking. This was a fitting locale for a discussion of the federal government’s evolving role, as O bama had helped catalyze a deal whereby the C erro de H ula wind farm in H onduras would purchase turbine exports from the G amesa factory with support from the Export-Import Bank of the U nited States and from the Central American Bank for Integration. A question from the factory floor concerned the proposed U S Smart G rid, an ambitious, expensive national project to create a modernized, efficient national electricity grid that would save energy over the long haul by reducing the waste tied to our country’s antiquated distribution network. Asked whether the federal government had plans to lay out the substantial sum needed to carry out this endeavor, the president gave an answer that might surprise some, explaining that “the challenge is not so much a money issue.” Pointing to the fact that we “could probably get a lot of private-sector dollars to invest in a smart grid,” he asserted that the challenge was instead a political one, “all these different zoning laws” that arise because “people don’t want transmission lines, et cetera, in their vicinity.” M oreover, “each state and each local government has its own control about siting issues,” so that America behaves like a patchwork of interests rather than as a united nation.5 This political challenge is not a light one and requires working together across diverse interests to coalesce as a team. No longer able to use the power of the purse as primary leverage, government must identify its own unique capacities as a problem-solver within a changed landscape, shifting from a directive to a catalytic role in order to identify and amend problematic regulation that stifles innovation and restricts economic growth while strengthening regulation essential to protect the public. Coaching from the sidelines will no longer ensure a win. Government will only be fully engaged and effective if it has a direct interest in the outcome—federal agencies must act as player-coaches. A player-coach is a member of the team who simultaneously holds both playing and coaching responsibilities. The challenges and constraints faced by fellow team members can best be appreciated on the field, in the heat of play. The player-coach can then inspire the top individual performance of each player while keeping everyone’s eyes on the ball, lending a hand when his or her particular skills are called for. A player-coach does not embrace a game without rules nor an overly managerial approach because he or she knows first-hand both the value of a game plan and the need to adapt, problem-solve, and innovate on the fly. G enuinely skilled player-coaches are able to move strategically and seamlessly between their roles as coach and player in a way that maximizes the team’s interests. O ne of the best, Bill Russell, found just the right balance in his second season as player-coach of the Boston Celtics, when he began making careful targeted use of his time off the sidelines after spending many minutes on the court in his first season.6 Most important, a player-coach agency can turn opponents into teammates. Too frequently, we hamstring our ability to work together by tethering our debates over the appropriate role and function of government to philosophical poles of government and the economy—such as a night-watchman state or a Keynesian one. These approaches exist in their pure forms only within textbooks and political discourse. Today’s pressing challenges demand that we eschew the litmus-test politics that result from the lionizing of philosophical puritanism so that we can find common ground—where traditional regulation and business innovation meet— and advance our shared values together in a workable way. For America to win the future, the government must be fully in the game with truly modern entrepreneurial public agencies that promote public values as a growth accelerant.

#### Fixing what we have will fail – it’s time for a bold new reinvestment in infrastructure

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

As many writers have noted, American infrastructure is depreciating rapidly – we are likely well below the replacement rate of investment in roads, mass transit, airports, ports, rail, and water assets. The logical implication is that we need to invest more. But more investment in and of itself will not move us towards having the right mix of infrastructure assets in place.

The current mix results from one of two selection processes. The first is devolution to the states (for example the cost-sharing grants delivered by the Highway Trust Fund), and the second is selection by Federal agencies (e.g., the Corps of Engineers). At worst, these processes lead to politically motivated outcomes, either because state governments favor some projects for wholly non-economic reasons, or because the Congress can muscle the selection process from the federal agencies. The most recent transportation authorization bill, passed in 2005, made the word “earmark” famous by incorporating a stunning $24 billion of them – the price of having a law passed. Insofar as we have given the task of project selection to the political process, it would be surprising if this kind of event didn’t happen, not that it sometimes does. Politicized project selection is one of several problems associated with the current process. But it is one of the reasons why a National Infrastructure Bank is so important and so urgently needed: not just because a bank might be able to lever federal dollars, but because it can use the existing dollars more wisely and obtain a higher public return. What follows, then, is a description of the role a National Infrastructure Bank could play, taken from the perspective of the specific problems in the current process it might solve. This perspective also allows us to evaluate the administration’s proposal. In a nutshell, Rohatyn and I propose that we collapse all of the federal “modal” transportation programs into the Bank. Any entity – whether state, local, or federal – would have standing to come to the Bank with a proposal requiring federal assistance. The Bank would be able to negotiate the level and form of such assistance based on the particulars of each project proposal. It could offer cash participation or loan guarantees, underwriting or credit subsidies, or financing for a subordinated fund to assure creditors. Any project requiring federal resources above some dollar threshold (on a credit scoring basis) would have to be approved by the Bank. Additionally, we imagine that some part of the funding for existing modal programs would be converted into block grants sent directly to the states and large cities to be spent on projects too small for the Bank’s oversight. Such grants could also be used for those programs desired by the states that do not pass muster on terms proposed by the Bank. This is more a vision of infrastructure policy than a blueprint for the immediate future. Admittedly, it will take years and a meticulous reorganization to produce this configuration. But the best way to measure our progress in infrastructure policy (and the merits of the administration’s proposal) is not to see how quickly we adopt the Bank’s specific features, but to see how the Bank addresses the underlying infrastructure policy flaws it is designed to fix.

#### Unilateral policy infrastructure goals fail – broad base institutional reform is key to efficient and long-term strength

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

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.

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short-term and long-term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also a more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as to establish a National Infrastructure Bank, which would leverage private and other non-Federal government resources to make wise investments in projects of regional and national significance.

#### Infrastructure Gridlock inevitable

Scott Thomasson, President, NewBuild Strategies LLC, April 2012 “Encouraging U.S. Infrastructure Investment” Policy Innovation Memorandum No. 17 http://www.cfr.org/infrastructure/encouraging-us-infrastructure-investment/p27771

Despite the pressing infrastructure investment needs of the United States, federal infrastructure policy is paralyzed by partisan wrangling over massive infrastructure bills that fail to move through Congress. Federal policymakers should think beyond these bills alone and focus on two politically viable approaches. First, Congress should give states flexibility to pursue alternative financing sources—public-private partnerships (PPPs), tolling and user fees, and low-cost borrowing through innovative credit and bond programs. Second, Congress and President Barack Obama should improve federal financing programs and streamline regulatory approvals to move billions of dollars for planned investments into construction. Both recommendations can be accomplished, either with modest legislation that can bypass the partisan gridlock slowing bigger bills or through presidential action, without the need for congressional approval.

The Problem

The United States has huge unpaid bills coming due for its infrastructure. A generation of investments in world-class infrastructure in the mid-twentieth century is now reaching the end of its useful life. Cost estimates for modernizing run as high as $2.3 trillion or more over the next decade for transportation, energy, and water infrastructure. Yet public infrastructure investment, at 2.4 percent of GDP, is half what it was fifty years ago.

Congress has done little to address this growing crisis. Ideally, it would pass comprehensive bills to guide strategic, long-term investments. The surface transportation bill, known as the highway bill, is a notable example of such comprehensive legislation. It is the largest source of federal infrastructure spending, allocating hundreds of billions of dollars over several years for highways, rapid transit, and rail. But the most recent six-year highway bill expired in 2009, and Congress has been unable to agree on a new multiyear bill since then. The Senate passed a new bill in March 2012 that provides only two years of funding and efforts in the House to pass a longer-term bill have nearly collapsed. The continuing impasse forced Congress to pass its ninth temporary extension of the old law at the end of March 2012, this time for ninety days. Transportation Secretary Ray LaHood announced in February that he does not expect a bill to pass before the 2012 election, a view many experts share.

Even if Congress passes a new highway bill, the country's infrastructure debacle is hardly resolved. Transportation is only one part of the problem, and the pending bills do not even raise investment in this sector from previous, insufficient levels. Nor do they address the biggest long-term problem for transportation—inadequate funding from the Highway Trust Fund. Since the mid-1950s, federal gas tax revenues have been deposited into the Highway Trust Fund and then allocated to states for transportation improvements. But the gas tax is not tied to inflation and has not been raised since 1993. At current spending and revenue levels, the trust fund will be insolvent within two years. Raising the gas tax would alleviate the funding problem, but both parties consider that and other new taxes to be political nonstarters.

Unlocking Progress

There is no shortage of good proposals to encourage infrastructure investment. For example, President Obama has endorsed the idea of creating a national infrastructure bank to leverage federal funds and encourage PPPs. Bipartisan negotiations in the Senate produced a bill for a scaled-down version of the bank, focused on low-cost federal loans to supplement state financing and private capital. The bill is not supported by House Republican leaders, however, and is unlikely to pass this year. There are also important transportation reforms in both pending highway bills where Republicans and Democrats are on common ground: expanding the popular Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program, streamlining the Department of Transportation bureaucracy to speed approval of new projects, and eliminating congressional earmarks—a huge step toward smarter project selection based on merit rather than political interests. But if the highway bill does not pass, none of these reforms will happen.

### Econ Advantage

#### First, U.S. economic competitiveness is declining

Reuters, 2012

Scott Malone, “U.S. economy losing competitive edge: survey,” January 18, http://www.reuters.com/article/2012/01/18/us-corporate-competitiveness-idUSTRE80H1HR20120118, last accessed 5.25.12

In particular, the nation is falling behind emerging market rivals and just keeping pace with other advanced economies, according to a Harvard Business School survey of 9,750 of its alumni in the United States and 121 other countries. Seventy-one percent of respondents expected the U.S. to become less competitive, less able to compete in the global economy with U.S. firms less able to pay high wages and benefits, the study found. The findings come at a time when high unemployment is a major concern for Americans, with 23.7 million out-of-work and underemployed, and the economy the top issue ahead of November's presidential election. "The U.S. is losing out on business location decisions at an alarming rate" said Michael Porter, a Harvard Business School professor who was a co-author of the study. U.S. companies, which slashed headcount sharply during the 2007-2009 recession, have been slow to rehire since the downturn's official end and some have continued to cut. This month, Archer Daniels Midland Co ([ADM.N](http://www.reuters.com/finance/stocks/overview?symbol=ADM.N)), Kraft Foods Inc ([KFT.N](http://www.reuters.com/finance/stocks/overview?symbol=KFT.N)) and Novartis AG NOVN.XV all said they would be cutting U.S. jobs this year. Survey respondents said they remained more likely to move operations out of the United States than back in. Of 1,005 who considered offshoring facilities in the past year, 51 percent decided to move versus just 10 percent who opted to keep their facilities in the country, with the balance not yet decided. Respondents, graduates of the prestigious business school who were polled from October 4 through November 4, were particularly concerned about how the United States was shaping up versus emerging nations such as China, [Brazil](http://www.reuters.com/places/brazil) and India, with 66 percent saying the United States was falling behind.

#### Global infrastructure investment is outperforming the US

Felix G. Rohatyn, Special Advisor to the Chairman and CEO, Lazard Freres and Co. LLC, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

While America's economic competitors and partners around the world make massive investments in public infrastructure, our nation's roads and bridges, schools and hospitals, airports and railways, ports and dams, waterlines, and air-control systems are rapidly and dangerously deteriorating.China, India, and European nations are spending--or have spent--the equivalent of hundreds of billions of dollars on efficient public transportation, energy, and water systems. Meanwhile, the American Society of Civil Engineers estimated in 2005 that it would take $1.6 trillion simply to make U.S. infrastructure dependable and safe. The obvious, negative impact of this situation on our global competitiveness, quality of life, and ability to create American jobs is a problem we no longer can ignore.

#### **A NIB is key to acquiring global capital funding that will sustain US competitiveness – a delay would be suicide**

Sen. John Kerry (D-Mass.) is chairman of the Senate Foreign Relations Committee. AND Tom Donohue, 3/11/2011 is president and chief executive officer of the U.S. Chamber of Commerce,

We have differences on so many issues. But there’s too much at stake now for political parties to focus narrowly on the next election., “Building a U.S. infrastructure bank” http://www.politico.com/news/stories/0311/52229\_Page2.html

The 21st century can be another American century, but only if we rebuild our nation and do the things that will keep America exceptional for generations to come. Americans have always been builders. We built a transcontinental railroad. We built an interstate highway system. We built rockets that let us explore the farthest edge of the solar system and beyond. Yet when it comes to our nation’s infrastructure, we’re not building for the future. Our roads and bridges are crumbling beneath us. Meanwhile, our competitors are building superior infrastructures that can attract jobs, businesses and capital. We can construct a world-class infrastructure again. But we won’t by simply throwing money at the problem or applying Band-Aids when major surgery is needed. Instead, we need strategic, comprehensive, long-term solutions — and the resources to implement them. First, we must pass a comprehensive, multiyear highway and transit bill that is adequately funded, focuses on national priorities, spends money wisely and removes roadblocks to private investment. Because our infrastructure needs are so great — and our federal budget so tight — we need to leverage every public and private resource available to secure investments that can maintain and improve our system.That’s why we are joining together to build a new, bipartisan consensus for an American infrastructure bank — one that can help create jobs today and will increase our economic competitiveness tomorrow by financing projects for everything from rail to seaports. With traditional funding methods, like appropriations and municipal bonds, squeezed by the economic slowdown, a bank would complement limited public investments by leveraging private resources to help get the job done. By channeling large pools of new investments from private sources that don’t currently invest in U.S. infrastructure, a bank could help solve our infrastructure deficit without straining our budget. We need to do more with less federal money. The bank would operate without political influence to finance projects based on their national and regional importance — not their political value. It would be run transparently by experienced professionals under congressional oversight. It would need to include checks and balances to prevent abuse by both the private sector and political players. It could serve as a catalyst — not a substitute — for private investment. It wouldn’t stop the private sector from taking the lead when it can and should. This is a practical strategy for prosperity and a pragmatic vision that can be embraced outside ideological or partisan concerns. How do we do it? There is $180 billion to $200 billion in private capital available for investment in U.S. infrastructure. Capital is fluid, though. If we don’t make every effort to put these resources to use in our own country, it will flow to our competitors. The answer is to remove the politics, recognize the reality of the U.S. deficit and acknowledge that the private sector, not the federal government, is the chief economic engine. An American infrastructure bank would then be able to access private capital and revitalize and expand networks that connect us to each other and the world, as well as to the resources essential for business and everyday life. Reliable, modern infrastructure isn’t a luxury. It’s the lifeblood of our economy — the key to connecting our markets; moving products, people, information and energy; and generating and sustaining millions of jobs for U.S. workers. In the face of global competition, our growth and exports are directly tied to the modernity of our infrastructure. Yet for too long, we’ve underbuilt and underinvested. Too much of what we have done has been uninformed by a long-term strategic plan. In 2008, it was estimated that we had to make an annual $250 billion investment for 50 years to meet our surface transportation needs alone.We aren’t even close to that today. If we don’t act, we won’t just stand still, and we won’t just fall behind. In an Information Age global economy, choices and consequences come quickly, and inaction could hold us behind permanently as we cede economic opportunities to more disciplined nations. As we invest too little — and our competitors’ investments grow — it will only become harder to catch up as they become more and more attractive for private investments. In 2009, China spent an estimated $350 billion on infrastructure — 9 percent of its gross domestic product. Europe’s infrastructure bank financed $350 billion in projects across the continent from 2005 to 2009, modernizing seaports, expanding airports and high-speed rail lines and reconfiguring city centers. Brazil alone has invested more than $240 billion in infrastructure in the past three years — with an additional $340 billion planned for the next three. These countries are doing what we need to do. Some are racing ahead precisely because they have created infrastructure banks to help them invest more with fewer public resources. Passing a good highway and transit bill, creating a national infrastructure bank and removing roadblocks to private investment can help us rebuild a world-class infrastructure system. But we must also recognize that traditional U.S. public funding mechanisms for infrastructure investment are inadequate for the growing needs of our economy, businesses and citizens. Receipts to the Highway Trust Fund have fallen substantially as cars and trucks improve gas mileage. The Highway Trust Fund’s integrity has been compromised, and its declining resources may be poached for other purposes. We are on an unsustainable path.The sooner we address this challenge, the sooner we can secure the funding we need to increase our mobility, create jobs and enhance our global competitiveness. We need to address this not as separate interests but as a nation with a national purpose. The world of the next generation is changing too rapidly for us to try to compete using last century’s bridges, roads, water systems and transmission lines.

#### An infrastructure bank would jumpstart investment on ports and other infrastructure—solves competitiveness

Rendell, former governor of Pennsylvania, and Smith, mayor of Mesa, Arizona and vice chairman of the U.S. Conference of Mayors, both are members of Building America’s Future Educational Fund, 2011 Ed and Scott, The Wall Street Journal, “Transportation Spending is the Right Stimulus,” August 11, http://www.bafuture.com/sites/default/files/WSJ\_Transportation\_Spending\_Is\_the%20\_Right\_Stimulus.pdf, last accessed 5.25.12

During this time of economic uncertainty and record federal deficits, many question why America should invest aggressively in infrastructure. The answer is simple: Whether it involves highways, railways, ports, aviation or any other sector, infrastructure is an economic driver that is essential for the long-term creation of quality American jobs.

Unfortunately, our position as the world leader in infrastructure has begun to erode after years of misdirected federal priorities. When it comes to transportation, Washington has been on autopilot for the last half-century. Instead of tackling the hard choices facing our nation and embracing innovations, federal transportation policy still largely adheres to an agenda set by President Eisenhower. As a result, American citizens and businesses are wasting time, money and fuel. According to the Texas Transportation Institute, in 2009 Americans wasted 4.8 billion hours sitting in traffic at a cost of $115 billion and 3.9 billion wasted gallons of gas. Meanwhile, nations around the world are investing in cutting-edge infrastructure to make their transportation networks more efficient, more sustainable and more competitive than ours. These investments have put them on a cycle of economic growth that will improve their standard of living and improve their citizens' quality of life. Building America's Future Educational Fund, a national and bipartisan coalition of state and local elected officials, of which we are members, recently issued a report on the subject, "Falling Apart and Falling Behind." It offers a sobering assessment of transportation-infrastructure investments in the U.S. as compared to the visionary investments being made by our global economic competitors. As recently as 2005, the World Economic Forum ranked the U.S. No. 1 in infrastructure economic competitiveness. Today, the U.S. is ranked 15th. This is not a surprise considering that the U.S. spends only 1.7% of its gross domestic product on transportation infrastructure while Canada spends 4% and China spends 9%. Even as the global recession has forced cutbacks in government spending, other countries continue to invest significantly more than the U.S. to expand and update their transportation networks. China has invested $3.3 trillion since 2000, for example, and recently announced another $105.2 billion for 23 new infrastructure projects. Brazil has invested $240 billion since 2008, with another $340 billion committed for the next three years. The result? China is now home to six of the world's 10 busiest ports—while the U.S. isn't home to one. Brazil's Açu Superport is larger than the island of Manhattan, with state-of-the-art highway, pipeline and conveyor-belt capacity to ease the transfer of raw materials onto ships heading to China. To get our nation's economy back on track, we must develop a national infrastructure strategy for the next decade. This policy should be based on economics, not politics. Washington must finally pass a reauthorized multiyear transportation bill; target federal dollars toward economically strategic freight gateways and corridors; and refocus highway investment on projects of national economic significance, such as New York's Tappan Zee Bridge across the Hudson, where capacity restraints impose real congestion and safety costs in an economically critical region. It is also time we create new infrastructure financing options, including a National Infrastructure Bank. Many of these new programs, using Build America Bonds, for instance, can be paid for with a minimal impact on the federal deficit. The government's continued neglect of infrastructure will consign our nation and our children to economic decline. Rebuilding America's future cannot be a Democratic or Republican political cause. It must be a national undertaking. And if it is, there will be no stopping us. Let's get to work.

#### And, failure to restore U.S. competitiveness crushes U.S. primacy—the impact is global war

Khalilzad, Fellow at the Center for Strategic and International Studies, 2011

Zalmay, National Review, “The Economy and National Security,” February 8, http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad?pg=2, last accessed 5.25.12

Today, economic and fiscal trends pose the most severe long-term threat to the United States’ position as global leader. While the United States suffers from fiscal imbalances and low economic growth, the economies of rival powers are developing rapidly. The continuation of these two trends could lead to a shift from American primacy toward a multi-polar global system, leading in turn to increased geopolitical rivalry and even war among the great powers. The current recession is the result of a deep financial crisis, not a mere fluctuation in [the business](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad) cycle. Recovery is likely to be protracted. The crisis was preceded by the buildup over two decades of enormous amounts of debt throughout the U.S. economy — ultimately totaling almost 350 percent of GDP — and the development of credit-fueled asset bubbles, particularly in the housing sector. When the bubbles burst, huge amounts of wealth were destroyed, and [unemployment](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad) rose to over 10 percent. The decline of tax revenues and massive countercyclical spending put the U.S. government on an unsustainable fiscal path. Publicly held national debt  rose from 38 to over 60 percent of GDP in three years. Without faster economic growth and actions to reduce deficits, publicly held national debt is projected to reach dangerous proportions. If interest rates were to rise significantly, annual interest payments — which already are larger than the defense budget — would crowd out other spending or require substantial tax increases that would undercut economic growth. Even worse, if unanticipated events trigger what [economists](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad) call a “sudden stop” in credit markets for U.S. debt, the United States would be unable to roll over its outstanding obligations, precipitating a sovereign-debt crisis that would almost certainly compel a radical retrenchment of the United States internationally. Such scenarios would reshape the international order. It was the economic devastation of Britain and France during World War II, as well as the rise of other powers, that led both countries to relinquish their empires. In the late 1960s, British leaders concluded that they lacked the economic capacity to maintain a presence “east of Suez.” Soviet economic weakness, which crystallized under Gorbachev, contributed to their decisions to withdraw from Afghanistan, abandon Communist regimes in Eastern Europe, and allow the Soviet Union to fragment. If the U.S. debt problem goes critical, the United States would be compelled to retrench, reducing its military spending and shedding international commitments. We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The closing of the gap between the United States and its rivals could intensify geopolitical competition among major powers, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation. The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. [leadership](http://www.nationalreview.com/articles/259024/economy-and-national-security-zalmay-khalilzad). By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars. American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions.

#### Failure to avoid economic decline causes war

Mead, Senior Fellow in U.S. Foreign Policy at the Council on Foreign Relations, 2009

Walter Russell, The New Republic, “Only Makes You Stronger,” February 4, http://www.tnr.com/politics/story.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8&p=2, last accessed 1.23.10

None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises.

Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born?

The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

### Plan

The United States Federal Government should establish a transportation National Infrastructure Bank.

### Solvency

#### The bank increases private investment and is the most efficient and effective method of national infrastructure development

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

There are improvements that can be made in how we finance infrastructure investment. Governments on all levels face significant budget constraints. It is imperative that we maintain and strategically grow our investments in key areas, such as infrastructure, and finding additional sources of capital would increase our ability to do so, while also increasing efficiency in our project selection process.

President Obama has proposed a National Infrastructure Bank to help finance infrastructure projects. A well-designed infrastructure bank could: • increase overall investment in infrastructure by attracting private capital to co-invest in specific infrastructure projects; • improve the efficiency of our infrastructure investment by having a merit-based selection process for projects; and • fill the gaps in our infrastructure funding system, which currently disadvantage investments in multi-modal and multi-jurisdictional infrastructure projects. One way to address the need for more infrastructure investment is to attract more private capital for direct investment in transportation infrastructure. There is currently very little direct private investment in our nation’s highway and transit systems. The lack of private investment in infrastructure is in large part due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in specific infrastructure projects. In addition, the private benefit for investors is less than the benefit for society as a whole because of positive externalities from infrastructure. A National Infrastructure Bank could address these problems by directly funding selected projects through a variety of means. The establishment of a National Infrastructure Bank would create the conditions for greater private sector co-investment in infrastructure projects.

Additionally, with a few notable exceptions, federal funding for infrastructure investments is not distributed on the basis of a competition between projects using rigorous economic analysis or cost-benefit comparisons. The current system virtually ensures that the distribution of investment in infrastructure is suboptimal from the standpoint of raising the productive capacity of the economy.

To address the lack of merit-based funding, a National Infrastructure Bank would develop a framework to analytically examine potential infrastructure projects using a cost-benefit analysis, and would evaluate the distributional impact of both the costs and benefits of each project. Of course, not all costs and benefits from infrastructure projects can be quantified, but an effort should be made to quantify those that can be quantified and to take account of any additional benefits and costs to society. A rigorous analytical process would result in support for projects that yield the greatest returns to society, and would avoid investing taxpayer dollars in projects where total costs exceed total societal benefits. A National Infrastructure Bank would select projects along a sliding scale of support that most effectively utilizes the bank’s limited resources, targeting the most effective and efficient investments.

#### 60 billion in seed money will result in a trillion dollars in leverage in ten years

Felix G. Rohatyn, Special Advisor to the Chairman and CEO, Lazard Freres and Co. LLC, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

One way to finance the rebuilding of our country is by creating a national infrastructure bank that is owned by the federal government but not operated by it. The bank would be similar to the World Bank and European Investment Bank. Funded with a capital base of $50 to $60 billion, the infrastructure bank would have the power to insure bonds of state and local governments, provide targeted and precise subsidies, and issue its own thirty- to fifty-year bonds to finance itself with conservative 3:1 gearing. Such a bank could easily leverage $250 billion of new capital in its first several years and as much as $1 trillion over a decade.

Run by an independent board nominated by the president and confirmed by the Senate, the bank would finance projects of regional and national significance, directing funds to their most important uses. It would provide a guidance system for the $73 billion that the federal government spends annually on infrastructure and avoid wasteful "earmark" appropriations. The bank's source of funding would come from funds now dedicated to existing federal programs.

Legislation has been proposed that would create such an infrastructure bank. Congresswoman Rosa DeLauro (D-CT) has introduced a House bill, and Senators John Kerry (D-MA) and Kay Bailey Hutchison (R-TX) have brought forward legislation in the Senate. The Senate bill, with $10 billion of initial funding, is a modest proposal but passing it would give us a strong start.

We should regard infrastructure spending as an investment rather than an expense and should establish a national, capital budget for infrastructure. While this idea is not new, it has been unable to gain political traction. From a federal budgeting standpoint, it would be the wisest thing to do. President Obama and Congress should take action promptly.

#### 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.**

# Advantages

## Adv: Global Competiveness

### Uniqueness: Losing Investments

#### Other countries are outcompeting for investment funds – a Bank is key

Michael R. Bloomberg et. al, Edward G. Rendell, Arnold Schwarzenegger, Transportation Infrastructure Report 2011 “America’s Future Falling Apart and Falling Behind” 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, http://www.bafuture.org/report

Leveraging Federal Dollars to Harness Private Capital

In a time of budget cuts and belt-tightening, other countries are relying on innovative financing mechanisms that leverage private dollars to meet their investment needs. These financing mechanisms have also introduced performance standards and accountability requirements into the planning process. Private sector investors are ready and able to invest in infrastructure. Over $180 billion in private equity and pension fund capital focused on infrastructure equity investments is available around the world, waiting for worthy public works projects to get off the ground. Elsewhere, infrastructure projects generate dependable, low-risk revenue for private investors through tolls and ticket fees. But the U.S. has not fostered an environment in which the private sector will step in to help finance the large-scale infrastructure projects we need. The U.S. is now one of the only leading nations without either a national plan for public-private partnerships (PPPs or P3s) for infrastructure projects or a national infrastructure bank to finance large-scale projects and harness private capital. Many states have passed laws allowing local public-private partnerships, but the U.S. does not have a national policy that would facilitate them for large-scale, multi-jurisdictional projects. While we fail to leverage government dollars to attract private investors, billions of dollars of private capital are flowing to infrastructure projects in other countries. Public-private partnerships in other countries cover a range of agreements between government entities and private companies or investors who share in the risk and rewards of public works projects. Although these partnerships are not a panacea, they are imperative to raising necessary funds in these budget-strapped times. We can learn from other countries how to attract private capital to bolster government investments and ensure that private investments further national goals. Building Canada created Canada’s first public-private partnership corporation to expand infrastructure financing alternatives. PPP Canada was launched with a $1.28 billion P3 Canada Fund, a merit-based program that in 2009 granted $102.3 million to fund public-private infrastructure projects around the country.10 Australia streamlined its public-private partnership priorities and goals with its Infrastructure Australia agenda by issuing National P3 Policy Guidelines.11 The UK’s new National Infrastructure Plan includes a concerted government effort to seek out P3 opportunities to finance its ambitious transportation projects.12 Even China has moved away from primarily funding infrastructure projects directly through the national government, instead toward utilizing a mix of financing mechanisms, including significant foreign direct investment. Most of our other global competitors also have access to Infrastructure Banks that finance large-scale transportation projects and leverage private capital. The most established and successful of these is the European Investment Bank (EIB), which since 1957 has served as the infrastructure financing institution for the EU. The EIB provides long-term financing for infrastructure investment projects, and it funds its operations by accessing capital markets. The EIB finances infrastructure projects on a case-by-case basis, reviewing their merit in a financially disciplined manner and financing only those with compelling national benefits. It is because of the EIB that European countries have been able to build high-speed rail and modernize their ports and motorways. In 2009, the EIB lent ¤79.1 billion ($116.7 billion) to infrastructure projects, about ¤15.7 billion ($23 billion) of which went to transport projects, both to EU members and to partner countries in the developing world.13 Development banks around the world take similar approaches to financing infrastructure projects and harnessing the potential of additional private capital. The Brazilian National Development Bank (BNDES), for example, drives the financing opportunities for Brazil’s recent infrastructure development. Between October 2009 and October 2010, BNDES provided $31.8 billion in financing to infrastructure projects. A National Infrastructure Bank in the United States would allow us to tap into the billions of private-sector dollars that could be invested in our transportation needs. By employing a range of finance and funding tools—including, but not limited to, grants, credit assistance, low interest loans, and tax incentives—the bank could leverage federal investments with private capital. And if we establish the bank as an independent entity that can fund only merit-based projects of regional and national significance, the bank could make smarter, more cost-efficient investments in all forms of our infrastructure.

### Econ: Competitiveness OW

#### We control the strongest internal-link into long-term economic recovery—restoring competitiveness outweighs all their alt causes to growth

Atkinson, President of the Information Technology and Innovation Foundation, Ph.D. in City and Regional Planning from UNC-Chapel Hill, 2011

Robert D., Information Technology and Innovation Foundation, “Explaining Anemic U.S. Job Growth: The Role of Faltering U.S. Competitiveness,” December, http://www.itif.org/files/2011-great-recession-anemic-job-recovery.pdf, last accessed 5.25.12

These six diagnoses are simply not sufficient to explain the timing of the crisis, its severity or the unprecedented weaknesses of the recovery. A more compelling diagnosis is that we are failing to achieve robust recovery because the overall U.S. economy has lost international competitiveness. We see this most clearly in manufacturing. In the 1980s, U.S. employment expanded by 19 percent and in the 1990s by 20 percent. During the same periods, manufacturing employment fell 7 percent and 1 percent, respectively. But between 2000 and the peak of employment in January 2008, jobs grew just 5.4 percent, while manufacturing jobs fell 32 percent. Remarkably, few economists or pundits have made this connection between the anemic overall job performance in the last decade and largest percentage drop in manufacturing employment in American history, even greater than that of during the Great Depression. This is all the more troubling since manufacturing jobs have the highest employment multipliers of any sector, meaning that the loss of these manufacturing jobs led to significant job loss in the rest of the economy. Another way to look at this is by examining the changes in the contribution of manufacturing to changes in GDP. From 1980 to 1989 the sum of annual GDP changes was 30 percent of which manufacturing added 5.8 percentage points (about 20 percent of the sum of annual GDP growth). From 1990 to 1999, it was 32 percent, of which manufacturing added 5.2 percentage points (about 17 percent). But in the last decade the annual sum of GDP changes (gains or losses) was just 18 percent, with manufacturing changes subtracting 4.7 percentage points. If manufacturing had contributed its same share to GDP growth as it did in the 1980s and 1990s, overall GDP growth would have been 28 percent in this last decade, rather than 18 percent This loss of manufacturing turned to the U.S. economy into a leaky boat with worn sails so it couldn’t tack the headwinds that increased into a gale force in the last decade. For most of the 2000s, it meant slow growth. For 2008 to 2009, it helped make a recession “The Great Recession.” And now it is meaning painfully slow economic recovery. For example, annual new orders for manufacturers are down 11 percent from 2007 to 2010 in constant dollars while durable goods orders are down 21 percent, while real GDP is down one percent. One reason for the slow return of manufacturing orders is evidenced by the increase in the trade deficit. In 2011, the deficit in non-petroleum products at an annualized basis is $440 billion, 11 percent higher than in 2010 and 40 percent higher than in 2009. As shown in Figure 2, the trade deficit was smallest in 2009 after the height of the recession, but it has grown since then, approaching 2007 levels. Some will argue that, while we may be losing manufacturing, the United States is still strong in innovation and that this will power our growth in the future. But this ignores two key factors. First, much of manufacturing is high tech and powered by innovation—think computers, semiconductors, pharmaceuticals, medical devices, aviation, and instruments. Losing production in these areas means losing the upstream R&D and design jobs as well. Second, it’s not as if the United States leads in innovation anymore. As we found in The Atlantic Century II, the United States ranks 43rd of 44 nations or regions in the rate of progress on 16 innovation-based competitiveness indicators (such as the growth of corporate and government R&D, venture capital, new businesses, productivity, etc.). Other nations are not standing still when it comes to the race for global innovation advantage. This stiff headwind of robust foreign competition has two impacts on recovery. First, just as reductions in corporate investment or consumer spending will exert a negative influence on GDP growth, so too do net increases in the trade deficit. Recall your Macroeconomics 101 and the equation GDP= C+I+G+(X-M). When imports grow faster than exports in the short run, it exerts a contractionary effect on GDP and jobs. Conversely if exports were growing faster than imports, it would exert an expansionary effect on the economy and jobs, precisely why President Obama declared a goal of doubling exports. But there is a second, more subtle, but ultimately more important impact on the economy of the loss of U.S. competitiveness: it erodes the confidence of businesses, workers and consumers. Ultimately, a strong and brisk recovery will depend on a faith that America will once again lead in the global innovation economy. Absent that faith—or in the presence of a sense of economic foreboding and decline—the rational exuberance needed to power investment and spending will be lacking, and recovery will continue to drag along. As Keynes noted, “Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as the result of animal spirits—a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities.” Today, with America losing the race for global competitive advantage, the quantitative benefits and the quantitative probabilities of success are lower than before. And most Americans sense this. One survey of likely voters in 2012 found that 60 percent believe that the next generation of Americans will be worse off, with only ten percent saying better off. One reason for this is 62 percent said that the United States no longer has the strongest economy in the world, with 39 percent saying that China is the strongest. A Pew Research Survey reports similar findings with almost half (47 percent) of Americans saying that China is the world's leading economic power, while just 31 percent name the United States. Three years ago—prior to the global economic crisis—only 30 percent characterized China as the global economic leader, compared with 41 percent for the United States. A Gallup poll shows a 13-point surge in the past two years in the percentage of Americans who think that China will lead the world economy over the next two decades. Yet, it would be one thing if Americans were fatalistic to their current and impending decline. Little could be done. But of the 60 percent who thought the United States was not the strongest economy, 85 percent believed that it is possible for the United States to have the strongest economy in the world. And this gets to the real nub of it: America will recover in the short run and the long run when American businesses, workers, and consumers have faith that policymakers are taking the needed steps to restore America’s leadership. Therefore, restoring America’s competitive edge should be job number one for policymakers. They need to focus on both on short-term job creation and long-term economic growth. The two goals are inextricably linked.

### Credibility

#### National infrastructure will boost Obama’s leadership and US competitiveness

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

There are also major legislative challenges that still loom large for 2010, including the potential for a second stimulus, the reauthorization of the federal transportation law, and the creation of a national infrastructure bank (which the President himself promoted at the jobs summit in December). The related debate about climate change legislation will also have infrastructure impacts that stem from the Obama administration’s first year.

Post-health care 2010 will prove critical for the Obama administration to demonstrate the kind of impressive leadership exhibited by our global competitors on infrastructure. Past U.S. presidents ceded infrastructure policy to Congress, which naturally led to multiple programs in search of a strategy. We need the opposite approach now given the fiscal constraints we’re operating under and the broader economic and environmental imperatives we face today.

#### An NIB is key to growth and competitiveness

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

CONGRESSWOMAN DeLAURO: Well, first of all, thank you so much, Rob, I’m delighted to be here, and I thank Bruce and Brookings and the Metro Project. And to be on a panel with Michael and Polly and Matt, it really is an honor, and also a very, very exciting moment. And I was very enthusiastic as someone who has looked at creating an infrastructure bank back to 1994, which is when I first introduced the legislation on a National Infrastructure Development Bank. I want to emphasize how much I appreciate the President and the administration coming forward, renewing, expanding transportation infrastructure, particularly calling for an infrastructure bank. This is an important moment, I believe, which is why I think we have such a large audience here, for the concept of infrastructure investment and the ways in which we go about trying to finance it. And you’re right about not very specifics, but, quite frankly, the legislation is very specific as to how we ought to try to move forward. A little bit of a context, two big dynamics pushing us down the road. First, scale of the federal deficit and the inability to finance public investment through conventional means. The second is a growing demand for a national growth strategy. I think one of the concerns of the current economy is that what we need to have is a serious debate and discourse about what is our growth strategy for the future. We’re not talking about stimulus one, two, son of, sister of, et cetera, or a recovery, quite frankly. This is about whether America can grow, whether we can create jobs, whether we can compete with economic power centers around the world. This means for us how do we create middle-class jobs and middle-class income for people to make their way to economic security? A point which I’m going to make, it’s obvious to everyone, everyone is focused on the election right now, but whatever happens in November, we’re going to need to find a way forward on a growth strategy. I believe, I sincerely believe that an infrastructure bank can be the centerpiece of action on the economy next year. We’ve got progressives who are interested, you’ve got Republican mayors, governors, the President is interested. So I think it can be a real center of activity on the future economy come next year. I believe my legislation is the direction that we ought to go in, as you would expect. It’s modeled after the European Investment Bank, it enjoys support from business investment, a labor spectrum across the board, so -- but let me just say this, that any version of the bank we create should include certain fundamental components, and let me just tick those off quickly for you. One, it should be an independent entity. In order to become less reliant on the spending system of earmarks, of formula grants, allocated more by geography and politics than demonstrated value, it’s critical that the bank be established as an independent entity. And I don’t want to step on my friends from the Department of Transportation, but it shouldn’t be housed in the Department of Transportation. To depoliticize infrastructure investment decisions and ensure that funding is objectively provided to projects, both regional, national significance, that have clear economic, environmental, social benefits, the bank should be established as a wholly owned government corporation with an independent board of directors that’s overseeing operations and making investment decisions, that has risk management, audit committees, everything that can oversee the soundness of the institution. ANDERSON COURT REPORTING Second, the bank should have strong financing capability. There are a whole lot of institutional investors today who want to invest. And Matt and I were at a meeting last week where we sat with investors, and Rob was there, as well, but folks are sitting on the sideline or they’re investing overseas. So in order to be able to leverage private capital from pension funds, the bank simply cannot be another credit program similar to those that already exist at the federal government. The bank in my legislation has the ability to issue 30+ year federal bonds. That would be attractive to investors who are looking at stability, that are looking at long term, looking at low-risk returns. I believe it’s critical if we’re going to leverage the private dollars and get those into the U.S. infrastructure development market.

### Infrastructure k2 competitiveness

#### Infrastructure is uniquely key to increasing US economic competitiveness.

Algernon Austin, February 2, 2011. “Increasing American Economic Growth and Competitiveness.” Huffington Post. Algernon Austin—Director, Program on Race, Ethnicity, and the Ecoomy at the Economic Policy Institute.

Currently, there are over 14 million Americans who would like to work but cannot find work. This is the most important immediate problem facing the country. Although African-American workers only make up 12% of the American labor force, blacks make up 20% of the unemployed. Our ability to create jobs -- sooner rather than later -- matters a great deal for the well-being of millions of American families. Our failure to create jobs causes people to lose their homes, produces increases in family stress, and leads children to drop out of school.¶ A serious, longer-term problem is the economic decline of the United States relative to other nations. In the 1950s and 1960s, the United States led the world on many important measures. Today, the United States has fallen behind. If we fail to invest in our people, in our infrastructure, and in research and development we will continue to fall behind. Even worse, we will stand by as we watch our country literally fall apart.¶ The good news is that we can go a long way to address these two problems -- the immediate problem of a high rate of joblessness and the longer-term problem of America's declining competitiveness -- with one solution -- smart investments now. The federal government needs to make investments rapidly in education, infrastructure, and research and development to make us more competitive globally. These investments if done quickly and substantially will create millions of jobs to address the current jobs crisis.¶ Falling Behind and Falling Apart¶ Infrastructure…The American Society of Civil Engineers estimates that two-thirds of U.S. roads are in poor or mediocre condition.¶ 27% of U.S. bridges are "structurally deficient" or "functionally obsolete.¶ 29% of all transit assets are in poor or marginal condition.¶ Each day in the United States, there are about 700 water main breaks, we lose 7 billion gallons of water from water main leaks, and we put the public at risk from contaminated water…The infrastructure needed for the productivity, safety and health of the nation is falling apart. We need to make the necessary investments:¶ to repair, replace, and upgrade our deficient roads, bridges, water systems, power grids, and sewers.¶ to repair, replace, upgrade and expand our public transportation systems. ¶ to modernize our school infrastructure so that all our students have access to 21st century technology and instructional resources.¶ If we begin to make these investments now we will create a substantial number of jobs in construction, transportation, and technology, and we will be laying the foundation for U.S. competitiveness for the rest of the 21st century, just as similar investments helped to make the United States a dominant economic force in the 20th century.¶ The expansion and modernization of our public transportation systems are particularly important for our low-income population. These improvements to these systems will allow low-income workers greater access to jobs. Increased use of new and efficient public transportation has the additional benefits of reducing our dependency on fossil fuels and on foreign energy.

### Competitiveness Low

### Competitiveness Low

#### Recent statistics prove US competitiveness is low.

Devon Thorsell, March 21, 2012. “Harvard Survey results shows low expectations for future of U.S. competitiveness.” Devon Thorsell—Reuters, Washington Post, Harvard Business School Survey on U.S. Competitiveness.

The Harvard Business School recently released the results of a survey that attempted to answer the questions “What ails the American economy?” Harvard surveyed almost 10,000 alumni in the U.S. and abroad this past fall, all of whom are important actors in the global economy. HBS asked the alumni how they thought the U.S. would compare in the next few years and what they found was a lot of pessimism.¶ Two-thirds of the alumni polled agree that the U.S. is falling behind the emerging economies of Brazil, India, and China and is only just keeping up with other advanced economies. Of the numerous disadvantages the complex tax code, the political system, and weak K-12 education stood out as blockades to growth and competitiveness.¶ Overall, 71 percent of alumni expect U.S. competitiveness to decrease over the next three years, even though 57 percent say that the current business climate in the U.S. is above the average set by other advanced economies.¶ This is Harvard’s first “Survey on U.S. Competitiveness” – part of the school’s ongoing “U.S. Competitive Project,” a multi-year project, which aims to lay out the facts and realities of international competition and the implications for the U.S. in a nonpartisan way.

#### The recession killed competitiveness—we are still in decline.

Michael E. Porter and Jan W. Rivkin, 2012 “The Looming Challenge to US Competitiveness.” Harvard Business Review. Michael E. Porter is the Bishop William Lawrence University Professor and Jan W.

Rivkin is the Bruce V. Rauner Professor of Business Administration at Harvard

Business School.

By this standard, U.S. competitiveness is in grave danger. The erosion of U.S.¶ competitiveness began well before the Great Recession. The U.S. faces¶ competition from a widening range of nations with lower wages and improving¶ economic strategies. But a short-term focus in many businesses and political¶ gridlock have prevented the U.S. from taking the steps needed to meet the¶ challenge.¶ The U.S. retains core strengths in areas such as entrepreneurship and higher¶ education. However, these are increasingly nullified by weaknesses in the tax¶ code, fiscal policy, K–12 education, and other areas. To address its challenges,¶ America needs a strategy and a consensus on direction. Government will play a¶ crucial role, but business must lead the way.¶ Photograph: Margaret Bourke-White/Time & Life Pictures/Getty Images: Fort Peck Dam, 1936¶ The American economy is clearly struggling to¶ recover from a recession of unusual depth and¶ duration, as we are reminded nearly every day.¶ But the United States also faces a less visible but¶ more fundamental challenge: a series of¶ underlying structural changes that could¶ permanently impair America’s ability to maintain,¶ much less raise, the living standards of its¶ 1¶ citizens. If government and business leaders react only to the downturn and fail to¶ confront America’s deeper challenge, they will revive an economy with weak long-term¶ prospects.¶ During the past year, we have examined U.S. competitiveness with the help of a diverse¶ group of scholars, business leaders from around the world, and the first-ever¶ comprehensive survey of Harvard Business School alumni. Our research suggests that¶ the U.S. faces serious challenges. Too often, America’s leaders, in government and¶ business, have acted in ways that neutralize the country’s many strengths. However,¶ the decline of U.S. competitiveness is far from inevitable. The United States remains the¶ world’s most productive large economy and its largest market for sophisticated goods¶ and services, which stimulates innovation and acts as a magnet for investment.

### Infrastructure k2 competitiveness

#### Infrastructure is uniquely key to increasing US economic competitiveness.

Algernon Austin, February 2, 2011. “Increasing American Economic Growth and Competitiveness.” Huffington Post. Algernon Austin—Director, Program on Race, Ethnicity, and the Ecoomy at the Economic Policy Institute.

Currently, there are over 14 million Americans who would like to work but cannot find work. This is the most important immediate problem facing the country. Although African-American workers only make up 12% of the American labor force, blacks make up 20% of the unemployed. Our ability to create jobs -- sooner rather than later -- matters a great deal for the well-being of millions of American families. Our failure to create jobs causes people to lose their homes, produces increases in family stress, and leads children to drop out of school.¶ A serious, longer-term problem is the economic decline of the United States relative to other nations. In the 1950s and 1960s, the United States led the world on many important measures. Today, the United States has fallen behind. If we fail to invest in our people, in our infrastructure, and in research and development we will continue to fall behind. Even worse, we will stand by as we watch our country literally fall apart.¶ The good news is that we can go a long way to address these two problems -- the immediate problem of a high rate of joblessness and the longer-term problem of America's declining competitiveness -- with one solution -- smart investments now. The federal government needs to make investments rapidly in education, infrastructure, and research and development to make us more competitive globally. These investments if done quickly and substantially will create millions of jobs to address the current jobs crisis.¶ Falling Behind and Falling Apart¶ Infrastructure…The American Society of Civil Engineers estimates that two-thirds of U.S. roads are in poor or mediocre condition.¶ 27% of U.S. bridges are "structurally deficient" or "functionally obsolete.¶ 29% of all transit assets are in poor or marginal condition.¶ Each day in the United States, there are about 700 water main breaks, we lose 7 billion gallons of water from water main leaks, and we put the public at risk from contaminated water…The infrastructure needed for the productivity, safety and health of the nation is falling apart. We need to make the necessary investments:¶ to repair, replace, and upgrade our deficient roads, bridges, water systems, power grids, and sewers.¶ to repair, replace, upgrade and expand our public transportation systems. ¶ to modernize our school infrastructure so that all our students have access to 21st century technology and instructional resources.¶ If we begin to make these investments now we will create a substantial number of jobs in construction, transportation, and technology, and we will be laying the foundation for U.S. competitiveness for the rest of the 21st century, just as similar investments helped to make the United States a dominant economic force in the 20th century.¶ The expansion and modernization of our public transportation systems are particularly important for our low-income population. These improvements to these systems will allow low-income workers greater access to jobs. Increased use of new and efficient public transportation has the additional benefits of reducing our dependency on fossil fuels and on foreign energy.

#### Transporation Infrastructure neglect is the biggest threat to economic competitiveness.

Telstar, October 4, 2010. “Transportation Infrastructure Neglect Threatens U.S. Competitiveness and "Economic Foundations for American Prosperity” Telstar Logistics—reporting on Land, Air, Sea, and Space US Operations.

A new, bipartisan report released by a group of transportation experts concludes that the transportation infrastructure in the United States lags behind that of other economic powers, with potentially dire consequences for American competitiveness. The Washington Post summarizes:¶ U.S. investment in preservation and development of transportation infrastructure lags so far behind that of China, Russia and European nations that it will lead to "a steady erosion of the social and economic foundations for American prosperity in the long run."¶ That is a central conclusion in a report issued on behalf of about 80 transportation experts who met for three days in September 2009 at the University of Virginia. Few of their conclusions were ground-breaking, but the weight of their credentials lends gravity to their findings.¶ Co-chaired by two former secretaries of transportation -- Norman Y. Mineta and Samuel Skinner -- the group estimated that an additional $134 billion to $262 billion must be spent per year through 2035 to rebuild and improve roads, rail systems and air transportation.¶ "The United States can't compete successfully in the 21st century with a 20th century transportation infrastructure," the report said.¶ Some proposed solutions in the report include:¶ Higher fuel taxes and per-mile useage fees for private vehicles.¶ Emphasis on the development of High Speed Rail.¶ Improved integration and use of intermodal (container shipping) transport, rather than trucks.¶ More rapid deployment of satellite-based "Next Gen" FAA air traffic control systems¶ Creating communities conducive to walking and alternate modes of transportation.¶ Creation of a distinct capital spending plan for transportation.¶ More public-private partnerships to develop transportation projects¶ More local decisionmaking on infrastructure priorities.

#### Transportation Infrastructure is the key investment to boost competitiveness.

National Association of Manufacturers, January 2011. “Manufacts: Transportation Infrastructure: Overdue Investments are Key to Competitiveness. http://www.nam.org/~/media/6350D1B8D8C34842BBE16A9F32C71289.ashx

Transportation Infrastructure Overdue Investments are Key to U.S. Competitiveness In meeting America’s infrastructure needs at home, we can help maintain America’s competitiveness abroad by:¶ • Upgrading and expanding the current highway system through additional funding, capacity management options and new technology.¶ • Improving freight mobility and reducing bottlenecks through targeted investments and innovative solutions.¶ • Increasing rail capacity through investment incentives.¶ • Modernizing America’s aviation system to improve runway capacity and air traffic control.¶ • Maintaining federal funding and expanding access to domestic and international markets.¶ • Streamlining and accelerating infrastructure permit and project delivery.

### Competitiveness k2 Econ

#### Competitiveness is key to the economy.

Carola McGiffert, February 2009. “American Competitiveness: Regaining Our Competitive Edge—Four Priorities and 20 ideas.” McGiffert- Senior Fellow, Center for Strategic and International Studies. The Brookings Institute.

The United States is in the midst of the most serious economic downturn since the Great Depression. Policymakers are understandably preoccupied with applying the right mix of fiscal and monetary policy responses to stanch and eventually reverse the decline. At the same time, policymakers need to build a foundation for sustainable, long-term prosperity that can drive our economy once we move beyond the present crisis. Going forward, the economy will no longer have the technology boom of the 1990s or the housing bubble of the 2000s to sustain its growth. And it is unlikely that debt-driven consumer spending or Wall Street will provide the same boost as in the past. If we are going to provide opportunities for all Americans going forward, we need to make the right investments today to rebuild American competitiveness by investing in our people, infrastructure, ideas, and green transformation.¶ This paper addresses this central challenge for the United States. We begin by discussing the economic downturn and financial turmoil facing the country and how policymakers should respond to both boost our economy in the short-run and also build the foundations for long-term competitiveness. Second, the competitiveness agenda is motivated by, and must therefore be responsive to, at least three changes in the fabric of the global economy: the increase in global integration; the attendant shift in economic power to rising powers such as Brazil, China and India; and the realization of the existential threat that climate change poses. Finally, we lay out the fundamentals of a competitiveness agenda through descriptions of specific policy proposals by leading experts on how to invest more robustly in infrastructure, people, ideas and green transformation.

#### American competitiveness is key to recovery in the short and long term.

Henry Chesbrough, July 27, 2011. “American Competitiveness- an Open Innovation Persepctive.” Forbes. Henry Chesbrough, contributor for Forbes. http://www.forbes.com/sites/henrychesbrough/2011/07/27/american-competitiveness-an-open-innovation-perspective/

The US economy is currently languishing in a very weak recovery, so weak that we may even tip back into recession in the coming months. Our short term economic struggles have also revived a long-standing debate around how to enhance US competitiveness in the longer term. What can Open Innovation contribute to this debate? I will argue that it can help us avoid some dead ends, and point us to a brighter future. In recent months, outstanding business leaders like Andy Grove of Intel and Andy Liveris of Dow Chemical have argued strongly for restoring an appreciation for the role that manufacturing plays in the industries of tomorrow. In their view, where manufacturing goes, ideas will soon follow. Sooner or later in their view, a nation that cannot manufacture will lose its ability to innovate and to prosper. Seen in this light, Open Innovation appears to give aid and comfort to the enemy of US prosperity, rather than pointing the way to a more prosperous American future. Open Innovation explicitly seeks useful industrial knowledge from all over the world. And Open Innovation companies actively engage with suppliers (among others) from all over the world as well. When a company collaborates in this way, there is a lot of learning that flows to the supplier. If a company is not alert, it can lose its future to that supplier, because much of that learning may be relevant to future improvements, enhancements, and even entirely new offerings in that industry. So Grove and Liveris certainly have a point.

#### Rebuiliding competitiveness will boost every sector and spillover.

Fred Humphries, April 20, 2012. “Rebuilding the foundation of American competitiveness.” Fred Humphries—Microsoft intern and staff of The Hill. The Hill website. . http://thehill.com/blogs/congress-blog/education/222873-rebuilding-the-foundation-of-american-competitiveness

As our nation continues to recover from the financial crisis, one question stands above the others: Can we rebuild an economic foundation stronger than the one that existed before?¶ ¶ If we’re willing to truly invest in the next generation of Americans, making sure they have the competency-based education and skills training they need to compete in a 21st century global economy, the answer is yes.¶ ¶ Across the country and around the world, committed community leaders, non-profits, educators, and students have dedicated themselves to finding solutions to these challenges. But we have a lot more work to do, and it will take federal policymakers coming together around bipartisan priorities to make it a reality. It will take leaders who are able to see beyond the next election to a horizon in which our children and grandchildren occupy the largest, most competitive, worldwide job market ever.¶ While the challenges facing young Americans vary by community, a new report issued last month by the International Youth Foundation – Opportunity for Action: Preparing Youth for 21st Century Livelihoods – paints a troubling picture of the opportunity divide facing young people today.¶ ¶ The Microsoft-commissioned report found that in the United States, 4 million young Americans between the ages of 15-24 were unemployed. In fact, a 2009 report by the Information Technology and Innovation Foundation found that over the past decade, no other major economy did less than the U.S. to advance their competitive stance.¶ ¶ We can see the results and they are not good. Experts at Georgetown University predict that by 2018 at least 62 percent of the workforce will require some college education, yet today at least 25 percent of American youth drop out of high school.

### Economy Low

#### Extreme weather and foreign instability is killing the economy—prefer our evidence because we cite specific recent issues.

Richard Davies, July 13 2012. “Drought Hits US Economy, Raises Food Costs.” Richard Davies—ABC News economic coorespondant. ABC News. http://abcnews.go.com/blogs/business/2012/07/drought-hits-us-economy-raises-food-costs/

Extreme weather will take a bite out of US economic growth. The question is how big will it be? More than half the country is in the middle of a drought, and the US Department of Agriculture is declaring a national disaster in parts of 1,000 counties and 26 drought-stricken states. A third of the nation’s corn crop has been damaged by heat and drought. The government slashed its forecast for this year’s harvest. Corn farmers had expected this to be a record year when they planted, sowing 96.4 million acres, the most since 1937. But after months with little or no rain and extreme heat in large portions of the Corn Belt, the USDA revised that estimate down by about 14 percent. The drought has pushed up prices for some commodities, and this will raise the cost of food for consumers.¶ JP Morgan Chase says its surprise trading loss grew to $4.4 billion. That’s more than double the bank’s original estimate. JP Morgan reports a $5 billion second quarter profit, down from $5.4 million a year ago.¶ For all tkhe talk about JP Morgan, the growing scandal over the rigging of LIBOR interbank rates could be far more damaging to the industry. The Financial Times says according to Morgan Stanley estimates, 12 global banks that have been publicly linked to the scandal face as much as $22 billion in fines and damages. So far Barclays Bank is the only firm to have been hit with a big fine. But others may be implicated by regulators in the US, UK and elsewhere.¶ Stock market futures rose this morning after six straight days of losses. The worries are all about the three E’s – the economy, earnings, and Europe. An economic slowdown and more problems in Europe could take a bite out of corporate earnings. Credit ratings agency Moody’s has downgraded Italy’s government bond rating two notches. As a result Italian bond yields rose this morning. The downgrade is another blow to a European economy that is flailing from the effects of austerity measures brought on by high government debt.¶ A new report says U.S. retail sales of video-game hardware, software and accessories fell for a seventh consecutive month. Sales declined 29 percent in June compared to the year before, says NPD Group.

#### Fiscal cliff, stock market, , reports warn of imminent economic recession.

Martin Crutsinger, July 12, 2012. “Fed Officials Warn of Looming Problems for Economy.” Martin Crutsinger is an Assiocated Press writer. USA Today—Money. http://www.usatoday.com/money/economy/fed/story/2012-07-11/Fed-minutes/56150608/1

Fed officials signaled their concern that the struggling U.S. economy could worsen if Congress fails to avert tax hikes and across-the-board spending cuts that kick in at the end of the year. And they expressed worries that Europe's debt crisis will weigh on U.S. growth.¶ Some members noted that defense contractors are already laying plans for layoffs if lawmakers don't address the package of tax hikes and spending cuts by the end of the year. Members warned that tighter government spending could slow the economy well into next year.¶ STORY: Today's stock markets¶ The Fed downgraded its economic outlook. It now expects growth of just 1.9% to 2.4% in 2012, half a percentage point lower than its April forecast.¶ A few members said the economy may already require additional support. But several others noted that further action "could be warranted" if the recovery lost momentum, if risks became more pronounced or inflation seemed likely to run below the committee's target.¶ Investors appeared disappointed by the division within the Fed.¶ Stock prices sank after the Fed expressed concern about the economy. The Dow Jones industrial average had been down nearly 40 points before the minutes were released at 2 p.m. ET. Around 2:30 p.m., the Dow was down 112 points, on track for its fifth straight day of losses.¶ Since the Fed met June 19-20, the job market's weakness has persisted. The government said Friday that hiring in June was weak for a third straight month. The economy added just 80,000 jobs.

#### **Econ low because of the Eurozone crisis.**

Brian Beutler, June 19, 2012. “What Eurozone Crisis Outcomes Mean for the US Economy.” Brian Beutler of Talking Point. Talking Point Memo—DC. http://tpmdc.talkingpointsmemo.com/2012/06/europe-economic-crisis-greece-germany.php

The political and economic dynamics threatening the European monetary union are complicated enough on their own. But there’s tremendous uncertainty about which choices European voters and leaders will make, and each hypothetical outcome there prefigures even more difficult-to-forecast consequences in the United States.¶ Still, economists and analysts have examined a range of scenarios — from ongoing recession in Europe, to a disorderly dissolution of the Euro and ensuing depression. And even the least bad of likely outcomes across the Atlantic will continue to put downward pressure on already-sluggish U.S. economic growth.¶ Late last year, Reuters looked at the consequences for the U.S. of a mild European recession, a protracted Euro recession, and a full-on meltdown. The upshot is that the American recovery can weather the Euro crisis even if leaders there insist on muddling through instead of taking the sorts of politically difficult actions experts say would be required to fix the problems there.¶ That was November 2011. Since then the U.S. economy has cooled down. But the same basic threat assessment holds up today, according to Dean Baker, co-founder of the Center for Economic and Policy Research.¶ “[E]xports to the region are only about 2 percent of U.S. GDP,” he said. “If exports are down by 10 percent because of the crisis (a huge falloff), this only knocks around 0.2-0.3 [percentage points] from U.S. GDP.”¶ Mitigating that loss are some hidden, salutary side effects. Energy prices have fallen. And the crisis there has actually pushed exceptionally low U.S. interest rates down a little further, providing what amounts to the sort of monetary stimulus the Federal Reserve engaged in at earlier points in the U.S. downturn. But it’s a real, existing risk, and not just a situation President Obama and other incumbents are using to explain current economic woes.¶ “The problems in Europe are serious,” admitted House Speaker John Boehner, one of Obama’s top political adversaries. “Their recession is affecting our economic growth today.”¶ It’s the full collapse we have to fear. Analysts see the consequences of a Euro cataclysm playing out in different ways, but all of them are dire, particularly given the existing problems in the U.S.¶ “Such turbulence in Europe, with the massive wealth destruction, bankruptcies and a collapse in confidence in European integration and cooperation, would most likely result in a deep depression in both the exiting and remaining euro area countries, as well as in the world economy,” the Organisation for Economic Co-operation and Development said last year.¶ Big U.S. financial institutions have taken steps to protect themselves from direct exposure to a European financial collapse. But the falloff in demand, and a worldwide financial flight-to-safety, would likely lead to a significant decline in U.S. GDP, which would be exacerbated if European countries and the United States didn’t quickly abandon the austerity programs baked into their current budgets.¶ “The spillover effects, the chain of consequences are very difficult to assess,” said International Monetary Fund President Christine Lagarde last month. “We can certainly assume that it would be quite messy.”

### A2: Alt Causality—Healthcare

#### Current healthcare policies are a boost to American businesses.

Alex Nussbaum, July 13, 2012. “Buffett Says Health Law is Step to Fix ‘Tapeworm’ in Economy.” Business Week, Alex Nussbaum of Bloomberg Business Week. http://www.businessweek.com/news/2012-07-13/buffett-says-health-law-is-step-to-fix-tapeworm-in-economy

The health-care law upheld by the U.S. Supreme Court last month is a step toward addressing the “tapeworm” of rising health costs consuming American businesses, billionaire investor Warren Buffett said.¶ Buffett said the court made the right decision in declaring the Affordable Care Act constitutional in its 5-4 ruling and said the law probably “cuts both ways” in terms of President Barack Obama’s re-election chances this November.¶ “The health-care problem is the No. 1 problem of America and of American business,” Buffett, chairman and chief executive officer of Omaha, Nebraska-based Berkshire Hathaway Inc. (BRK/A) (A), told Bloomberg Television’s Betty Liu in an interview today. “It’s the tapeworm, essentially, of the American economy, and we have not dealt with that yet. Obamacare is a step in the right direction in many ways.”¶ The law, Obama’s signature legislative achievement, was designed to cover more than 30 million uninsured Americans while imposing new taxes on health-care companies and fees on businesses that don’t provide coverage deemed affordable to workers. Republicans have vowed to repeal it if they win the White House and Congress in November.¶ Health costs now account for about 18 percent of the U.S. economy, compared with 10 percent in some countries, said Buffett, a supporter of Obama’s re-election campaign.¶ “There’s only 100 points in the dollar, and to have a seven or eight point disadvantage is huge,” Buffett said. “In terms of cost, it’s going to require a huge change.”

### A2:STEM Alt Causality—STEM

#### Education is not key to competitiveness—education is just an internal link to boosting the economy means we check back.

Arne Duncan, Secretary of Education, November/December 10. “Back to School: Enhancing U.S. Education and Competitiveness.” Foreign Affairs Magazine—Published by the Council on Foreign Relations.Arne Duncan is the U.S. Secretary of Education. http://www.foreignaffairs.com/articles/66776/arne-duncan/back-to-school

That anecdote usually makes Americans chuckle -- and wince. It highlights how U.S. students are falling behind their peers in advanced nations in the global race for economic competitiveness. Most South Korean parents, even the poorest, insist that their children learn English starting in elementary school. As a result, South Korea has had to bring in thousands of foreign-language teachers. I wish the United States shared South Korea's challenge. Americans have good reason to be concerned: young adults in eight other nations, including South Korea, are more likely to have college degrees than those in the United States. Yet the relationship between education and international competitiveness is a subject rife with myth and misunderstanding. There is a paradox at the heart of the United States' efforts to bolster international competitiveness: to succeed in today's knowledge economy, the United States will have to become both more economically competitive and more collaborative. For too long, policymakers, lawmakers, and voters have treated competitiveness as a zero-sum game, in which another nation's gain is necessarily the United States' loss.

## Adv: Economy Infrastructure

#### Aging infrastructure is bottlenecking the American economy, plan boosts the entire economy

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

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.

#### NIB would boost economic growth: Jobs, Middle Class,

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

President Obama’s FY 2013 Budget proposes a bold plan to renew and expand America’s infrastructure. The plan includes a $50 billion up-front investment connected to a $476 billion six-year reauthorization of the surface transportation program and the creation of a National Infrastructure Bank. In support of this commitment, the Department of the Treasury, with the Council of Economic Advisers, has updated our analysis of the economic effects of infrastructure investment. The new data and analyses confirm and strengthen our finding that now is an ideal time to increase our investment in infrastructure for the following four key reasons:

 Well-designed infrastructure investments have long-term economic benefits and create jobs in the short run;

 This economic activity and job creation is especially timely as there is currently a high level of underutilized resources that can be used to improve and expand our infrastructure;

 Middle-class Americans would benefit disproportionately from this investment through both the creation of middle-class jobs and by lowering transportation costs for American households; and

 There is strong demand by the public and businesses for additional transportation infrastructure capacity.

Return on Investment

 Many studies have found evidence of large private sector productivity gains from public infrastructure investments, in many cases with higher returns than private capital investment. Research has shown that well-designed infrastructure investments can raise economic growth, productivity, and land values, while also providing significant positive spillovers to areas such as economic development, energy efficiency, public health, and manufacturing.

 However, not every infrastructure project is worth the investment. Investing wisely in infrastructure is critically important, as is facilitating private financing for public infrastructure. Traditional funding methods limit the flexibility and cost-effectiveness of infrastructure financing. For example, there is currently very little direct private investment in our nation’s highway and transit systems due to the current method of funding infrastructure, which lacks effective mechanisms to attract and repay direct private investment in these types of infrastructure projects.

Newer funding initiatives address some of these funding shortcomings. The establishment of a National Infrastructure Bank would enable greater private sector co-investment in infrastructure projects. A National Infrastructure Bank would also allow for the rigorous analysis required to direct support to projects with both the greatest returns to society and the long-run economic benefits that can justify up-front investments.

 Build America Bonds (BABs) were another highly successful tool to attract additional private capital to finance infrastructure projects. These bonds were used to fund over $180 billion for new public infrastructure such as bridges, transit systems, and hospitals from 2009 through 2010 in all 50 states and the District of Columbia. Reinstatement of the BABs program is proposed in the President’s Budget.

#### Infrastructure bank is key to increase rate of return for long term growth, and resolve inefficient transportation use

Greenstone, 2010 2009-10 he served as the chief economist at the White House’s Council of Economic Advisers. His research is focused on estimating the costs and benefits of environmental quality and the consequences of government regulation. The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. GREENSTONE: Yeah, thanks for the question, and thank you for including me on such a distinguished panel. I’ll try not to bring down the average too much. So I’ll just start with I think two points that we all know, but it’s probably worth reminding ourselves of, you know. And it’s come up so far: infrastructure is a crucial component of long-run, broad-based growth. If you can’t deliver the goods quickly, you’re going to make less money, and businesses will do less well. So there’s no question this is a central place for government. The second thing that’s probably worth keeping in mind is infrastructure does have this great future in the middle of a recession, which is, you have to hire people to do the work. And so in the current environment, there’s a lot of reasons to be excited about doing infrastructure spending. I think two things are kind of brewing around here, and I think to this issue. I think there’s two primary challenges for infrastructure policy. The first I kind of think was a paradox. There’s some research by Cliff Winston, who’s here at Brookings, has really a surprising finding, because on the one hand, the American Society of Civil Engineers and several other groups, we have to spend $2 trillion over the next 5 years just to keep the infrastructure up. So that’s on the one hand, it seems like there’s a desperate need. On the other hand, Cliff Winston’s research suggests that the returns on infrastructure spending are actually quite low. His research found that in the 1970s, the return on a dollar spending was about 17 percent. That’s a great investment; everyone should want to do that investment. By the 1980s, using the same methodology that was down to 5 percent. It’s beginning to not look like such a hot investment. And in the 1990s, again, based on his research, it was down to a 1 percent rate of return. So how can it be that our infrastructure is crumbling and we also aren’t doing -- we have very low rates of return. And I think -- I don’t know that all the answer lies in this, but I think part of the answer lies in our system’s allocation, which I think is represented below. Proposal is partially intended to address. So most spending is done through formulas or earmarks, and those systems do not -- they’re not even really designed to produce spending that’s going to have a high rate of return. And I think we have to be honest that that’s a major impediment to infrastructure producing the long-run growth that we all think is an important component to a long-run growth strategy. I should mention, on the discretionary side, I think that there are some real bright spots. The TIGER program I think was a real winner. I think the infrastructure bank, which has performance metrics, it’s a proposal, but it has performance metrics, is a fantastic idea. But the point I want to make is, there are some real shining lights on the discretionary side, but I think the vast majority of spending still goes through formulas and goes through states. And to the extent that that system is not reformed along with the discretionary side, I think we are at risk of continuing to have the low rates of return. Also, with my academic hat on, I think it’s also worth saying we don’t have a great formula for figuring out what the rates of return are or how to do a cost-benefit analysis in infrastructure spending. And I think one thing that the DOT or the federal government generally could do is, try and do some capacity building on that, both by seeding states with the capacity to do that better, and I think also convening some kind of federal group. And, you know, one of the power to the Race to the Top is, the goal was really, really clear. You know, at some level they just wanted to raise educational -- the productivity of the educational system. And I think trying to achieve multiple goals, which we often do, you know, recognizing -- we try to achieve too many goals through infrastructure. I think a more narrow focus on rates of return and monetizing the benefits would have lots of payoff. The second -- so I think that’s the first primary challenge for infrastructure policy. The second primary challenge I think is, we don’t really -- we don’t currently use our existing infrastructure efficiently. I think everyone here has made some comment about what a pain it was to get here this morning. And, you know, I didn’t time this myself last night, but I thought about it, trying to time how long it would take me to drive from Brookings to the Beltway on Connecticut Avenue at midnight, and then to compare that to driving back here in the morning. And I’m going to guess it would have taken me 10 minutes last night and it would have taken an hour this morning. I think one important thing is, and I know it’s quite challenging politically, is to find ways to use our infrastructure more efficiently. And at the end of the day, I think that involves recognizing that when I put my car on the road, I am actually slowing down Representative DeLauro, who’s also trying to drive to work. Maybe she walks actually. CONGRESSWOMAN DeLAURO: No. MR. GREENSTONE: No. And I think congestion pricing or some other tolling system like that has got to be an important part. So I’m not saying that we should have an even number of cars on Connecticut Avenue at all hours of the day, but I think some of the cars, through a congestion pricing scheme, could be shifted to a different time of the day. And just to underscore that, just because -- and so when people are sitting in traffic, those are real costs. They don’t show up on the federal budget, and they don’t show up on the state budget, but those are real costs that the inefficient use of the system are saddling the economy with. Those are costs that bakers can’t deliver their cakes, those are costs that plumbers can’t get to do jobs, and I think we have to try and find a way to make ourselves comfortable with that.

#### **Infrastructure investment is low now – undermining job growth**

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

The first part of this report demonstrated that additional, carefully selected infrastructure investment should yield substantial benefits to the U.S. economy. This section considers the current state of our economy and why it is an opportune time to increase infrastructure investment. The main conclusion is that because of the availability of underutilized resources (especially labor), the opportunity cost of infrastructure investment is currently well below its normal level. The recession that started in late 2007 had an exceptionally large impact on the labor market, as the United States lost 8.7 million jobs between December 2007 and December 2009. Due to the collapse of the real estate market, the contraction of employment in the construction industry was especially acute. A full 21 percent of those who lost jobs over this time period were in the construction industry. Even as the economy has begun to recover, construction employment remains well below pre-recession levels. In December 2011, total payroll jobs in the construction industry remained 25 percent below the level of December 2007, dropping 1.9 million from 7.5 million to 5.6 million employees (seasonally-adjusted), which constitutes one-third of the total jobs lost over this period. In February 2012, the unemployment rate for construction workers was 17.1 percent, and over the past twelve months, the unemployment rate for construction workers has averaged 15.6 percent.

#### National bank avoids political mitigation – resulting in the most efficient market based growth

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

Last January we urged the new administration to focus on infrastructure investments that will stabilize and strengthen our economy beyond the current crisis. Smart investments in infrastructure, we argued, can generate productive, sustainable and inclusive growth. We called for a strategy of "invest and reform" to ensure that infrastructure investments were driven by market logic, factual evidence, and performance rather than the greatest short-term political reward. We recommended a range of funding and finance vehicles, such as a national infrastructure bank, to target those infrastructure projects (from road and rails to ports and pipes) that have the highest return on investment. We offered a re-imagined partnership with states and localities and the use of market mechanisms and pricing to deliver better outcomes. To better align these efforts we advocated for better coordination among the myriad agencies that construct, use, maintain and operate under this broad umbrella of “infrastructure.” Without a doubt, the administration had its hands full from the outset. The real concerns about the condition and quality of our infrastructure and the serious funding and financing shortfalls quickly manifested themselves at the same time the president and his team worked to staunch the bleeding from a rapidly deteriorating economy.

#### NIB is key to growth development, long-term competitiveness, and Foreign direct investment

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

Most experts agree the United States must address the nation's aging network of roads, bridges, airports, railways, power grids, water systems, and other public works to maintain its global economic competitiveness. In 2010, President Barack Obama proposed a national infrastructure bank (PDF) that would leverage public and private capital to fund improvements, and in April 2011 a bipartisan coalition of senators put forward a similar concept (NYT).

Four experts discuss how the United States can best move forward on infrastructure development. Robert Puentes of the Brookings Institution suggests focusing on increasing exports, low-carbon technology, innovation, and opportunity. Renowned financier Felix Rohatyn endorses the concept of a federally owned but independently operated national infrastructure bank that would provide a "guidance-system" for federal dollars. Infrastructure policy authority Richard Little argues that adequate revenue streams are the "first step in addressing this problem," stressing "revenue-based models" as essential. Deputy Mayor of New York City Stephen Goldsmith says that the "most promising ideas" in this policy area involve public-private partnerships.

Robert Puentes, Senior Fellow, Brookings Institution

Infrastructure is central to U.S. prosperity and global competitiveness. It matters because state-of-the-art transportation, telecommunications, and energy networks--the connective tissue of the nation--are critical to moving goods, ideas, and workers quickly and efficiently and providing a safe, secure, and competitive climate for business operations.

But for too long, the nation's infrastructure policies have been kept separate and apart from the larger conversation about the U.S. economy. The benefits of infrastructure are frequently framed around short-term goals about job creation. While the focus on employment growth is certainly understandable, it is not the best way to target and deploy infrastructure dollars. And it means so-called "shovel ready projects" are all we can do while long-term investments in the smart grid, high-speed rail, and modern ports are stuck at the starting gate.

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.

So in addition to the focus on job growth in the short term, we need to rebalance the American economy for the long term on several key elements: higher exports, to take advantage of rising global demand; low-carbon technology, to lead the clean-energy revolution; innovation, to spur growth through ideas and their deployment; and greater opportunity, to reverse the troubling, decades-long rise in inequality. Infrastructure is fundamental to each of those elements.

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.

### Construction Industry

#### Current economic slowdown is hitting the construction industry the hardest—increased infrastructure investment creates jobs in this key sector

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

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

Among those who gain employment as a result of additional infrastructure investment, the average unemployment rate has averaged approximately 13 percent over the past twelve months. This is more than one and one-half times the current national unemployment rate. Within the construction sector, which accounts for the majority of direct employment resulting from infrastructure investment, the unemployment rate has averaged 15.6 percent over the past twelve months.

#### And, energizing the construction industry is needed to fix the economy—upgrading ports, highways and bridges key to economic recovery

Niemann, Economic Analyst with Smith, Moore and Company in St. Louis, 2011

Juli, interview with Adriene Hill of Marketplace, “Construction industry vital to economic recovery,” September 6, http://www.marketplace.org/topics/business/construction-industry-vital-economic-recovery, last accessed 5.22.12

Hill: So are the markets finally coming to terms with where the economy actually is?

Niemann: Well Wall Street's ever hopeful, but the biggest problem they're facing right now is this is not a double dip recession, because we've never emerged from one that really started in 2008. One powerful area made us look much better than we were, and that was manufacturing -- machinery, autos, aircraft. And it all went to the export markets, and our trading partners now are all plunging back into recession, so no one will be able to buy our stuff. That's what we're really looking at now. We're tied to Europe and China's helm, and they both have a unique set of problems dragging them back down. Hill: So some of the jobs proposals we're hearing, there are suggestions out there that basically count on and encourage consumer spending. Are those going work? Niemann: Absolutely not. Bottom line is -- the Federal Reserve has a couple of dark tools they don't really want to use. But the only thing that's going to work at this point in time is basically jobs tied to manufacturing and infrastructure. Thirty-five thousand jobs are created for about every billion dollars spent on transportation -- that's very effective. You've got a multiplier effect of 2 to 1. So in the president's jobs talk, he really has to talk about long-term competitive disadvantage that we're having if we don't upgrade our ports, and highways, and bridges. The construction trade is really the only thing that's going to bring this out. The problem with that: it's longer-term. There's no short-term fix for the mess that we're in.

### Jobs

#### Bank results in job increase

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

The Infrastructure Bank’s initial capital of $60 billion would be deployed so as to bring in billions of additional dollars from outside investors and other partners. The Bank should have the authority to issue bonds with maturities of up to 50 years, among its other financing capabilities. These long bonds would be backed by repayment of the loans the Bank made to state and local governments, and would therefore align the financing of infrastructure investments with the benefits they create. If the bank were to provide subsidies, whether through credit insurance, interest rate discounts, or even grants to accompany its lending, these would be transparent, using credit scoring. To the extent that the bank provided non-subsidized lending, it would be self-financing. Tens of thousands of private sector jobs would be created over time, helping to provide strong economic growth.

## Adv: Capital Flow

#### The US market is frozen – capital is not moving

Samuelson ‘**12**  (http://news.investors.com/article/586820/201110031835/risk-aversion-has-economy-frozen-stiff.htm)

¶ We are prisoners of our rotten mood. Everywhere, the bias is to spend less and wait to see how things turn out. Just as optimism sustained the boom, pessimism prolongs the bust. This is the reverse of "irrational exuberance," because as long as most people feel this way, the psychology is self-fulfilling. Unfortunately, that's how they feel.¶ Consider:¶ Consumers: Confidence surveys show the longest streak of low ratings on record. The Conference Board index, based on people's outlook and buying plans, usually registers between 120 and 140 in good times. The latest reading (August) was 44.5; the low was 25.3 in February 2009.¶ "We've never seen it drop so low and stay so low," says the Conference Board's Ken Goldstein.¶ Corporate managers: As is well known, large companies have $2 trillion of cash and securities, up $520 billion since year-end 2007. That's money firms could use to hire and invest in plants or new products — if managers were more confident. Instead, they're stockpiling funds against another financial crisis.¶ Small-business managers: "These are the most depressed numbers in history," says Holly Wade of the National Federation of Independent Business, whose optimism index started in 1974. Only 11% of firms expect to hire in the next three months. Small companies (500 workers or less) represent half of all employment.

#### An IB will lead to capital movement

George Carollo, Research Assistant at CRGP, March 5, 2012

A National Infrastructure Bank: Why or Why Not?, <http://crgp.stanford.edu/news/global_projects_a_national_infrastructure_bank_why_or_why_not.html>

Why should we have one? ¶ Infrastructure banks are sustainable and do not depend on taxes. ¶ A national infrastructure bank would help move private capital, now sitting on the sidelines in pension, private equity, sovereign and other funds, into improving our crumbling infrastructure. ¶ Experts, including engineers, economists and bankers, will run the bank and will be able to make informed decisions as to whether a project should or should not receive funding. Therefore, politics will play a significantly less important role in determining what project should receive funding. ¶ Theoretically, this independently-run infrastructure bank would finance only meritorious projects. ¶ The bank would have the ability to leverage the government's guaranteed bonding capabilities, thereby reducing the cost of capital. ¶ An infrastructure bank would not endanger taxpayer money, because under the Federal Credit Reform Act of 1990, it would have to meet accounting and reporting requirements and limit government liability. ¶ NIB lead to capital movement

George Carollo, Research Assistant at CRGP, March 5, 2012

A National Infrastructure Bank: Why or Why Not?

#### **Metro Magazine November 2009**

“Financial, Economic Crisis Tightened Funding, Credit for Public Transit,” http://www.metro-magazine.com/Article/Print/2009/11/Financial-Economic-Crisis-Tightened-Funding-Credit-for-Public-Transit.aspx

Over time, new federal credit mechanisms, such as an infrastructure bank or a federally-mandated municipal bond insurer, could provide similar support and stability; and New strategies to open municipal infrastructure to investment from pension funds and other long-term taxable fixed income investors that do not participate in tax exempt debt markets in order to broaden the pool of capital available.

Interestingly, the success of Build America Bonds, created under federal financial recovery legislation that has occurred subsequent to publishing the report, has addressed several of the needs identified in the recommendations above, according to Parker.

#### Private capital is available for US infrastructure – failure to unify regulations will send the capital to our competitors

Pacific Standard Oct 10, 2008 “Beyond the Gas Tax: Bring On the (Financing) Hybrids,” http://www.psmag.com/business-economics/beyond-the-gas-tax-bring-on-the-financing-hybrids-4186/

Given the current volatility of the equities market, the low interest rates of the government bond market and the risky nature of investments in corporate credit instruments and real estate, infrastructure is now seen as a “safe haven” for long-term investors, a senior bank official told us. Financial News calls it “a rare bright spot in a tumultuous market.” Again, I am aware of the current decline in toll revenue (caused by reduced VMTs), which makes investment in toll facilities less attractive, but I consider this a cyclical phenomenon tied to a recessionary economy. In the long run, toll roads have lost none of their revenue-earning potential.

However, the future of PPPs depends on how private investors will perceive the expected government oversight placed on private participation. If the capital market should conclude that legal restrictions and regulatory barriers placed on private concessions are too onerous and burdensome, investors (especially foreign investors) may decide that investing in U.S. infrastructure is not worth the trouble, and they will turn instead to infrastructure investment opportunities abroad. That, in my view, would be most unfortunate for it would deprive fiscally strapped state and local governments of a much needed source of capital to modernize and expand America’s infrastructure.

In the long term, we must find the means not just to supplement the gasoline tax but to replace it with a more stable source of revenue. The most likely candidate appears to be a mileage tax (VMT fee) — i.e., a fee based on trip length and possibly vehicle size and weight. Such a revenue system would reflect more closely the actual usage of the road system and would not rely on taxing a commodity whose use we are actually trying to discourage. It is possible that a VMT fee will be phased in progressively, with commercial trucks being the first to be subject to it. With many trucking concerns already using the global positioning system to monitor and track their trucks’ movements, a mileage fee for commercial trucks could be introduced relatively quickly and with fewer complications.

Precedent for truck VMT fees already exists. A satellite-based mileage fee system for heavy trucks, called [TollCollect](http://www.toll-collect.de/frontend/HomepageVP.do;jsessionid=BAC30962838E131A2756575623DE5596), has been operating successfully in Germany since January 2005. There are currently 640,000 vehicles equipped with TollCollect transponders. Last year they generated $5.15 billion in fees.

But a mileage-based revenue system in this country is for the long term. Estimates range between 10 and 25 years before a VMT tax is fully tested and ready to be implemented nationwide. In the meantime, we must devise other ways to supplement the inadequate stream of revenues from the gas tax.

#### IB is a safe zone for longterm investment

Stephanie Baum 09 Oct 2008, RBC Capital names US infrastructure head

<http://media1.efinancialnews.com/story/2008-10-09/rbc-capital-names-us-infrastructure-head?mod=article-related>

[RBC Capital Markets](http://media1.efinancialnews.com/search?mod=articlehyperlink&q=RBC%20Capital%20Markets) has tapped a [JP Morgan](http://media1.efinancialnews.com/search?mod=articlehyperlink&q=JP%20Morgan) veteran to be managing director overseeing its bond business for infrastructure projectsâ€”a rare bright spot in a tumultuous market.

Peter Walraven will be responsible for developing structured bonds to fund clients' infrastructure projects and asset acquisitions.vWalraven will be based in New York and report to [John Hastings](http://media1.efinancialnews.com/search?mod=articlehyperlink&q=John%20Hastings), head of US infrastructure and project finance, and John Younger, head of US debt capital markets for the investment banking arm for the [Royal Bank of Canada](http://media1.efinancialnews.com/search?mod=articlehyperlink&q=Royal%20Bank%20of%20Canada). Walraven worked at JP Morgan for more than 20 years prior to joining RBC. He most recently worked as managing director and senior member in JP Morgan's global Private Placements group. He was responsible for originating, structuring and selling financing products to domestic and international corporate issuers. Hastings said the move came in response to an increased demand for tailored debt capital markets funding for infrastructure-related assets. Hastings said: "In light of the current market, we believe that the private sector will plan an increasing role in the delivery of infrastructure assets."

AXA Private Equityâ€™s infrastructure group said last week more than $53 trillion (â‚¬38 trillion) of investment is required in the next 25 years to support global population growth. Financial News learned last month that banks and private equity firms were raising $100bn for infrastructure funds. Infrastructure investments appeal to investors as they have predictable and steady yields, and low correlation to other asset classes such as equities and economic cycles. A consortium led by Citi Infrastructure Investors won a $2.5bn bid for a 99 year lease for Chicago Midway Airport the first privatization of a US airport earlier this month.

â€”Write to Stephanie Baum at sbaum@efinancialnews.com

#### Private capital is available for US infrastructure – failure to unify regulations will send the capital to our competitors

Pacific Standard Oct 10, 2008 “Beyond the Gas Tax: Bring On the (Financing) Hybrids,” http://www.psmag.com/business-economics/beyond-the-gas-tax-bring-on-the-financing-hybrids-4186/

Given the current volatility of the equities market, the low interest rates of the government bond market and the risky nature of investments in corporate credit instruments and real estate, infrastructure is now seen as a “safe haven” for long-term investors, a senior bank official told us. Financial News calls it “a rare bright spot in a tumultuous market.” Again, I am aware of the current decline in toll revenue (caused by reduced VMTs), which makes investment in toll facilities less attractive, but I consider this a cyclical phenomenon tied to a recessionary economy. In the long run, toll roads have lost none of their revenue-earning potential.

However, the future of PPPs depends on how private investors will perceive the expected government oversight placed on private participation. If the capital market should conclude that legal restrictions and regulatory barriers placed on private concessions are too onerous and burdensome, investors (especially foreign investors) may decide that investing in U.S. infrastructure is not worth the trouble, and they will turn instead to infrastructure investment opportunities abroad. That, in my view, would be most unfortunate for it would deprive fiscally strapped state and local governments of a much needed source of capital to modernize and expand America’s infrastructure.

In the long term, we must find the means not just to supplement the gasoline tax but to replace it with a more stable source of revenue. The most likely candidate appears to be a mileage tax (VMT fee) — i.e., a fee based on trip length and possibly vehicle size and weight. Such a revenue system would reflect more closely the actual usage of the road system and would not rely on taxing a commodity whose use we are actually trying to discourage. It is possible that a VMT fee will be phased in progressively, with commercial trucks being the first to be subject to it. With many trucking concerns already using the global positioning system to monitor and track their trucks’ movements, a mileage fee for commercial trucks could be introduced relatively quickly and with fewer complications.

Precedent for truck VMT fees already exists. A satellite-based mileage fee system for heavy trucks, called [TollCollect](http://www.toll-collect.de/frontend/HomepageVP.do;jsessionid=BAC30962838E131A2756575623DE5596), has been operating successfully in Germany since January 2005. There are currently 640,000 vehicles equipped with TollCollect transponders. Last year they generated $5.15 billion in fees.

But a mileage-based revenue system in this country is for the long term. Estimates range between 10 and 25 years before a VMT tax is fully tested and ready to be implemented nationwide. In the meantime, we must devise other ways to supplement the inadequate stream of revenues from the gas tax.

#### Stimulating cash flow key to economic growth

GAEBLER, entrepreneur resource website, 7-12-2012 <http://www.gaebler.com/Why-Small-Business-Matters.htm>

But what truly drives economic growth is the rate at which currency circulates through an economy. When currency sits idle, economies stagnate at best and fail in the worst case. It's like a car with no oil.¶ You can bailout the banks but if they sit on the money, there is no economic stimulus. In order to resuscitate an economy, dollars need to move from wallet to wallet, from cash register to cash register, from checking account to checking account. The faster that movement, the better the economy does.¶ It's called the velocity of money, if you want to use the economics lingo. If velocity is high, money is circulating quickly, and a relatively small money supply can fund a relatively large amount of purchases and economic growth.

### Infrastructure Key Liquidity

#### National transportation infrastructure bank key to unlock private investment

Americanprogress.org ‘12 http://www.americanprogress.org/issues/2012/02/infrastructure.html

Further funding can come by modernizing how federal funds are made available for infrastructure improvements, thereby attracting more private funds to finance projects—and reducing the strain on federal, state, and local government treasuries for critical projects. Infrastructure projects offer private investors the opportunity to make long-term investments that offer a predictable rate of return. For instance, if they finance the building of an airport and lease the airport to a regional authority, the terms of the lease will guarantee the investor regular payments that in turn cover their cost of the loan, its interest, and a rate of return or profit to the investors.

### Economy I/L

#### Circulation is key to wealth generation and the health of the economy

**ICR Global Research Center 2008** March 1, 2008 “Principles of Economic Circulation” http://blog.icresource.com/2008/03/01/principles-of-economic-circulation/

As we’ve learned earlier in this course, the principles of free enterprise are the foundation for a healthy economy committed to creating and producing wealth. But fundamental to the creation and production of wealth is the circulation and movement of that wealth. Without circulation in an economy, the richest of men will starve. It is essential for the health of an economic system, regardless of how much money there is, that the wealth circulates among the people who are the producers in the system. Otherwise, we starve in the land of plenty.¶ The principles and economics of circulation include understanding money as a medium of exchange, the hoarding or circulation of energy, and understanding money and banking as a control system that is designed to circulate money to the top of the pyramid.¶ The majority of people in the economic system today are chasing money and attempting to manipulate the system to have money circulate in their direction without necessarily producing anything of great value. The global economy today is run like a casino, circulating money from the bottom to the top while the emerging markets of the world go without even the most basic of human needs, nor sufficient capital from the top of the pyramid to develop those markets.¶ But you and I have the right to contract in free enterprise and the power to participate in micro-economies to produce wealth by creating goods and services, circulate money and other commodities, and not only reach but develop the emerging markets of the world. This is a new business and finance model- a new paradigm.¶ Money As Medium of Exchange¶ Money is nothing more than a medium of energy exchange that must circulate before it has any wealth-building value. Simply having or hoarding money in the bank, or underneath your mattress, does not make you inherently rich. But understanding the principles and economics of circulation does have the potential to make you as rich as you can dream, then to circulate your surplus to the emerging markets of the world.¶ As we’ve already established in the section on prosperity consciousness, true wealth is based on your relationship with money as a medium of exchange, and tapping into the abundance in yourself and the universe.¶ The source of true wealth is what you can produce that is needed and wanted by other people in the marketplace, or in your community. Wealth is who you are, your products, your services, your gifts, your offerings, your hands, your expressions, your talents, your intelligence, and your information – that’s the source of true wealth in any economic system. You must never forget this!¶ Hoarding or Circulation of Energy¶ Money is made, spent and consumed on a daily basis. It circulates throughout the system of buying and selling everyday. Money has a value that rises and falls, a cycle of circulation and velocity, and it has various gateways and access points to originate and circulate new FRN’s.¶ It’s like the circulatory system of the body, the blood stream. When the circulation is healthy and flowing oxygen to the cells and brain, the body is vital and alive. When the heart hardens or there is a restriction of flow, then the body is dying. The same analogy applies to the economic system as well.¶ You could have a million dollars, or ten dollars in the bank, but until you spend or circulate it, it generates no true wealth for you. Money is like congealed energy or blood that doesn’t flow. Is the blood in a blood bank not flowing through arteries and veins of any real value to the living body? No. It’s not the money that is the wealth, it’s the circulation of money or energy, like blood, that creates the wealth in the living economy of energy exchange. If you can understand this basic principle of circulation, then you will never be poor again!

### Uniqueness: Illiquid

#### Banks will sit on excess capital in the face of market turmoil – an IB is key to alleviate concerns

Mondaq. Jan 12, 2012 “US Based Funding Sought For Projects,” Lexis Nexis

While European banks have in recent years dominated project finance lending with a significant, and in some sectors dominant, market share, the ongoing European debt crisis has withered

confidence in the ability of these institutions to act in their historical role as providers of stable funding for projects across the globe.

Similarly, while Japanese, Chinese and South Korean outbound investments have in recent memory played a crucial role in keeping the projects market supplied with fresh capital, signs of weakening demand for Chinese manufactured goods and the latent effects from the March 2011 tsunami and the related Fukushima disaster could mean that, even in a best-case scenario, new money from this region will not be enough to shore-up the European funding gap. And while a handful of developing countries – most notably in Latin America and the MENA region - have made significant inroads in their ability to source their own financing without the need to rely on European banks, such independence often requires mobilising the participation of numerous other financing participants, which can have complexities of its own. With these circumstances in mind, many are asking what role US-based funding can have to deal with some of these potential funding shortfalls and to maintain (and perhaps grow) activity levels as we step into 2012.

2007-08 debt crisis revisited The big issue for many of the traditional European players in the project finance market can be reduced to one fundamental problem: increased funding costs. The confluence of sovereign debt exposure, higher capital and dollar funding costs, and new regulations stemming from Basel III have created a toxic cocktail that is forcing these institutions to delever and shrink their balance sheets quickly. In a way, it's as if the European banks are going through much of the same trauma that US banks went through following the 2008 Lehman crisis, resulting in a push to reduce their loan books and increase their internal capital ratios. As they do so, banks that are not as affected by dollar funding problems and that are not required to focus on short-term fixes to their balance sheets will have the opportunity to emerge as significant participants in markets where they may be seeking to increase their market

share. Having gone through many of the same problems during the 2007-08 financial crisis, as a whole US banks have already been through the de-leveraging process that their European counterparts are now facing, the result being that many of these US institutions are sitting on abundant liquidity that resulted from the difficult restructurings they experienced just a few years ago. As criticism has built that these institutions are holding too high a volume of underperforming cash reserves, some of them have started to take action. Both JP Morgan Chase and Citigroup have led a push by US banks to increase their share of loan underwriting in Europe, a trend that is likely to continue during the next 12-18 month period as the Europeans continue to focus on stabilising their balance sheets and altering their funding mix, all while continuing to deal with the ongoing crisis that at least as of today has no end in sight. The effect has been quick: in just the last year, BNP Paribas has fallen behind JP Morgan Chase in dollar-denominated lending, a small but significant shift given the dominance of French lenders

in recent years. There's no place like home In the US domestic markets, where project financing is heavily weighted towards power, energy and infrastructure projects, US-based banks and other financing entities are well poised with their significant liquidity to pick up much of the slack from the US branches and affiliates of European banks that in recent times have been, along with the US branches and affiliates of the Japanese banks, the predominant market participants. On the non-bank side, private equity, hedge funds and infrastructure funds, which have been acting as catalysts for M&A activity in the domestic energy sector, are expected to use much of the cash from their investment monetisation activities over the past few years to continue seeking strategic investments and hunting for assets, with a focus on gas-fired generating assets.

On the renewables side, while the development growth rate will likely be below recent trends with the ramping down of the 1705 US DOE Loan Guaranty Program and the phasing out of the US Treasury's 1603 cash grant programme by year-end (unless extended by Congress), there continues to be sufficient liquidity in commercial bank and capital markets to fund well structured wind and solar PV projects up to US$1bn, though tenors in bank markets of seven to 10 years may be a constraint to large-scale, high capital cost technologies such as solar thermal or offshore wind. Similarly, the tax equity market remains capacity-constrained, with a limited number of players, dominated by financial institutions, pushing up return targets and increasing the cost of capital for renewable projects. Nonetheless, the limited participation of foreign-owned banks should not have too dramatic an impact on the US domestic projects market as US-based banks, industrial finance companies, and funds are able to step-up for well-structured projects. Going abroad On the international side, while the expectation is that demand from borrowers in the projects market will increase over the next 12 months, as has been the case over the past few years, much of the response will come from export credit agencies, particularly on the largest and most capital-intensive projects. Perhaps one of the most anticipated questions of 2012 is whether the Export-Import Bank of the United States (US Ex-Im) will be positioned to maintain its growing position and leadership role in the global projects market. For the past few years, US Ex-Im has steadily increased (in absolute dollar terms) its total authorisations and in the process has become one of the most active ECAs supporting the efforts of large-scale project developers on a global basis. While US Ex-Im loans are subject to US-content requirements and various country-related limitations, their ability to finance very large investments without restrictions based on project size, general flexibility as to target country investment, and favourable loan terms resulted in a record number of financing requests in 2011, and the expectation is that this trend will continue into 2012 as more questions are raised regarding the reliability of other traditional funding sources. This situation bodes particularly well for project developers and investors in some of US Ex-Im's key focus countries - Mexico, India, Australia and Colombia – where authorisations in 2011 hit record numbers and where US Ex-Im seems ready to continue its current focus for the foreseeable future. Outlook 2012 Few expect 2012 to bring a monumental change from the uncertainty - and, at times, outright cynicism- that has battered the European banks and left the markets reeling in the face of political indecision and reliance on short-term solutions. Here in the US too, political bickering over existing subsidy and loan programmes has placed significant pressure on those who had hoped to see 2012 as the year in which a government supported Green or Infrastructure Bank would become a reality. While the politics of history continues to hamper decisive action by the Europeans, and the politics of the 24-hour news cycle continues to destroy any sense of bipartisanship in the US, it will be difficult to see how underlying economic health can be restored in a way that will settle markets and bring a sense of stability to the providers of financing to the global projects market. With that said, the global projects market continues to grow, and US-based institutions, with their relatively strong liquidity positions and relative lack of exposure to the sovereign debt mess affecting their European counterparts, are well-positioned to step in to cover some of the shortfalls created by the scaling back of the European banks. Look in 2012 for a possible uptick in the volume of project bonds issued into the US capital markets as creditworthy sponsors take advantage of low interest rates for long-term post-construction debt. Other mechanisms for recycling dollar liquidity into projects may also emerge that could be structured to capture higher lending margins expected due to bank liquidity constraints, including new dedicated project debt funds to finance diversified portfolios of project deals in the US and abroad.

On the banking side, while the smaller number of active players may mean some credit scarcity in the bank markets over the next 12 months, smaller syndicates and continuing riskaversion will mean that there will be a premium on well-structured deals that meet the pricing and tenor needs of those institutions remaining active in the market. For the US based commercial banks, 2012 may be the year in which they decide to shed their credit shyness and re-assert their dominance in the global projects market, unless they decide instead simply to keep the seat warm while the Europeans clean house.

## Adv: Aviation Advantage

### 1AC Aviation

#### NextGen development is inevitable—the only problem is investment insecurity.

Ashley Halsey III, July 4th, 2011 6:20 AM, “Cost could delay air traffic control overhaul.” CBS News- . Ashley Halsey III—writer for the Washington Post and a former member of the International Civil Aviation Organization (ICAO). http://www.cbsnews.com/2100-502223\_162-20076623.html

Now the Obama administration has embarked on the single most ambitious and expensive national transportation project since completion of the interstate highway system: a program called the Next Generation Air Transportation System (NextGen). The NextGen concept sounds simple: Replace an air traffic system based on 60-year-old radar with a satellite-based Global Positioning System (GPS) network that would be far more versatile and efficient. In reality, it is an extraordinarily complex undertaking, threatened with delay by airline fears that the government will not deliver the system in time to justify their expenditures.¶ NextGen demands the largest investment ever made in civil aviation: between $29 billion and $42 billion for equipment, software and training by 2025. The cost would be shared by a federal government struggling with budget constraints and an airline industry that has been drained by years of recession and high fuel prices. Those tensions over funding threaten to slow the launch of NextGen, despite near-universal support for the program, and delays could prove costly. NextGen is touted as the antidote to gridlock in the air travel system, forecast to be serving 1 billion passengers a year by 2021, up from 713 million last year.¶ With GPS precision, planes would be able to travel packed skies in safety at much closer distances. They would be able to fly direct routes, unlike in the current system, which relies heavily on flying to waypoints before turning to a final destination.¶ Direct routing would save airlines billions in fuel costs and minimize pollution. It would permit far more precise choreography of planes at airports, reducing the amount of fuel wasted waiting for takeoff or burned because planes waiting to land are ordered into holding patterns.¶ For passengers, NextGen would cut flight delays, eliminate time spent on the runway waiting to take off, shorten the flight time once airborne and bring fuel savings that promise to keep ticket prices lower.¶ As for evidence of the rapid pace of technological advancement, one need look no further than GPS. The technology is advancing so quickly that some car buyers opt against the factory-installed unit for fear that it will be outdated in a year or two.¶ Airlines have the same issue.¶ "If I go first, I'll have to bear the cost of updating the software, and when [NextGen is] turned on, I'll have the oldest, most obsolete systems out there," Chew said.¶ In addition, the FAA must clear through a jungle of procedures and retrain 15,475 air traffic controllers to deal with a system that will entirely replace the old one.¶ "A lot of the tough stuff is new procedures, is human-machine interface and human factors, moving from an air traffic control mind frame to an air traffic management mind frame" that puts greater responsibility in the hands of pilots, said Bobby Sturgell, former acting FAA administrator.¶ Congress has tossed more uncertainty into the mix by extending the current FAA funding plan 20 times rather than approving a comprehensive long-term spending plan that imposes strict NextGen deadlines on the agency.¶ "NextGen is threatened," Chew said. "Everyone knows it. The FAA budget is under pressure. Even they will say that NextGen is on track, but it's not."

#### NextGen requires financial commitment—a National Infrastructure Bank is key to ensure certainty.

National Association of Manufacturers, 2012, “Expediting Air Traffic Modernization and Accelerating NextGen: NextGen to NowGen.” The National Association of Manufacturers is the top manufacturing agency in the world, dealing with aviationand military needs. http://www.nam.org/~/media/9D17E31A28104FE69FBBE244FEEB59E9/NextGen\_to\_NowGen.pdf

Encouraging Investment in Equipment: Investing in avionics and other equipment and training in support of the NextGen system is a multi-billion-dollar investment that airlines and operators are unable to justify when the government has not made a clear commitment that the supporting NextGen air traffic equipment and services will be deployed in the near-term. A federal program or initiative that would incentivize early purchase decisions for NextGen airbone capability will **support a business case to equip by** reducing investment risk and making NextGen a stronger certainty**. The Nation’s Air Transportation System is Infrastructure: Although we are experiencing an unprecedented economic downturn of global proportions, the** rest of the world **and our major competitors are** heavily investing in infrastructure. Targeting investments that modernize the strongest and most essential parts of our nation’s infrastructure must be encouraged not only for our economic survival and competitiveness, but as a point of national pride. As Congress and the Administration consider the development of a National Infrastructure Bank in the coming months, the NAM believes NextGen could benefit from this innovative approach to infrastructure financing.

#### **NextGen jumpstarts the economy—7 warrants.**

James C. May, March 18, 2009. “Air Traffic Control Modernization and Near-Term Achievable Goals” White House Backfiles. James C. May is the President and CEO of Air Transportation Association of America, Inc., this is from his statement before the Subcommittee on Aviation of the House Committee on Transportation and Infrastructure. http://www.whitehouse.gov/files/documents/cyber/Congress%20-%20NextGen%20ATS%20HouseAvSubc\_090318\_ATAWritten\_FINAL.pdf

The FAA ATC modernization project – the Next Generation Air Transportation System (NextGen) – will usher in a new era of air traffic management and control that promises enormous benefits for all stakeholders and the American people. Public benefits include improved operational efficiency, reduced fuel consumption and emissions and lower operating costs for airlines. ATA strongly supports NextGen because it addresses numerous critical needs:¶ ␣ Capacity. The current ATC system is saturated and, in some locations, cannot provide the capacity to meet public demand for convenient, safe air transportation. This situation inhibits competition and industry growth. It also is the source of unnecessary congestion and delays, and compounds the effect of weather-related delays. NextGen will enable more precise spacing of aircraft and flight paths, which will allow FAA to handle safely and efficiently the traffic growth that it forecasts. Efficiency and Productivity. NextGen will enable more efficient flying. Today’s ground-based radar system requires planes to fly over specific points on the ground to maintain radar and communications contact. Navigational aids, radar and controllers are all terrestrial. They are linked to form a complex network system that supports airways, through which aircraft fly. Today’s system also requires spacing to accommodate the time it takes for radar to detect objects. Consequently, aircraft fly indirect routings and aircraft spacing – required for safety – wastes capacity. Today’s ATC system cannot, and never will be able to, take full advantage of available technology or integrate and fully exploit emerging technology.¶ The environmental and economic impact of today’s inefficient ATC system is illustrated below. The flight in this example burned an additional 1,493 pounds of fuel (218 gallons). This added an extra 4,560 pounds of carbon dioxide (CO2) that was released into the air and cost the carrier an extra $688 in fuel (given razor-thin margins, this is significant).¶ In contrast to today’s ATC system, NextGen will enable: optimized, direct routings between airports; reduced aircraft spacing; continuous descent arrivals, precise arrival and departure routings (known as RNAV and RNP procedures), and closely spaced approaches on parallel runways in instrument flight rule conditions. These are just a few of the operational benefits of NextGen.¶ These efficiency enhancements will drive significant improvements in productivity – both in terms of asset utilization and personnel. That, in turn, will reduce operating costs, which will help keep fares down and enable those savings to be plowed back into wages and benefits and operating capital.¶ Improved ATC efficiency also will benefit private aircraft owners. Corporations use private aircraft with the expectation that such use is efficient. While we disagree with that proposition, ATC modernization will provide corporate aircraft owners the same kind of efficiency benefits that commercial airlines will enjoy if their aircraft are properly equipped. Even if they are not properly equipped, they still will enjoy a spinoff benefit simply from operating in the same airspace as more efficient commercial aircraft.¶ ␣ Environmental Benefits. More efficient operations also will use less fuel, increasing aircraft fuel efficiency and reducing greenhouse gas and other emissions. It was estimated initially that full implementation of NextGen would reduce emissions significantly. The environmental benefits of ATC modernization are real and important. Improved fuel efficiency also will reduce operating costs and contribute to improved financial conditions that, like the productivity improvements discussed above, will benefit the public and employees.¶ ␣ Operational Integrity and Customer Satisfaction. Closely linked to capacity, efficiency and productivity is operational integrity. By expanding capacity and enabling more efficient operations, NextGen will enable better on-time performance and improved customer satisfaction. Today’s outdated ATC system contributes to delays and disruptions that could be avoided and will be avoided when NextGen is implemented. With improved operational integrity comes fewer delays, fewer missed connections, fewer misplaced checked bags and more satisfied customers.¶ ␣ Safety. The NextGen satellite-based system will look and act much like a network to which aircraft and ATC are interconnected. It will provide more precise information to both controllers and pilots about aircraft locations, both in the air and on the ground, and will enable aircraft to constantly know one another’s locations. This locational awareness and corresponding digital communications capability will provide critical real-time flight status information not available today. Some of the technology and operating procedures already have been tested and produced dramatic results. A sharp drop in aircraft accidents in Alaska occurred under the Capstone Program, introduced earlier this decade, which utilizes ADS-B technology, a foundational technology for NextGen.¶ ␣ Scalability. NextGen will be considerably more nimble than today’s facility- and labor-intensive system. Accordingly, it will be much easier for the FAA to scale the system to meet demand from all aviation sectors, whether that demand is a steady growth curve or fluctuates from time to time. Automation and digital data communications will make it easier for the FAA to adjust the system as needed.¶ ␣ Improved Financial Performance. Modernization will respond to legitimate shareholder expectations that the airlines they invest in will earn a positive return on investment. The current ATC system hobbles the industry’s ability to achieve financial stability because of the costs it drives by being inefficient. As noted above, these failures lead to costly delays and congestion.¶

#### Aviation capability decline creates a ripple effect that collapses the economy.

NBAA ‘09 (National Business Aviation Association, “General Aviation Industry Hurting During Economic Downturn”, 3-30, http://www.nbaa.org/advocacy/issues/economic-downturn/recession.php)

General aviation is an essential economic generator directly or indirectly employing over 1.26 million people nationwide according a 2006 economic study by Merge Global. These jobs generate $150 billion in economic activity across the United States, including states like California ($18B), Texas ($11B), Georgia ($9B), and Kansas ($7B). Our industry is continuing to build a strong American manufacturing and employment base that contributes positively to our national balance of trade. Congress recognized just how fundamental general aviation is to our nation's transportation system, rural economies, manufacturing capability, and balance of trade when it passed the General Aviation Revitalization Act a little more than a decade ago.¶ There's no question that in communities across the country, general aviation means millions of jobs: jobs in aircraft manufacture (the U.S. industry leads the world), jobs for people in small towns (where companies use airplanes to reach new markets), and jobs in flight support (including schedulers, dispatchers, maintenance technicians, pilots, training professionals, and airport employees to name just a few examples).¶ Unfortunately, the people and businesses in general aviation are weathering one of the worst economic storms anyone has ever seen. The impact of the flagging economy on the companies and communities that rely on general aviation is visible in all parts of the country. Following are some examples:¶ GA Manufacturing has been hit hard by the economyThe general aviation industry supports highly skilled, well-paying jobs for engineers and manufacturing line workers who design and build aircraft in places like Savannah, Wichita, and Little Rock and for hundreds of component manufacturers such as GE, Honeywell, and Pratt and Whitney that supply them with parts including many small businesses. GA is an important national industry that contributes greatly to the economy and to local tax bases. These suppliers also contribute extensively to aircraft produced by foreign companies like Dassault, Embraer, and Bombardier. The collective direct earnings of general aviation exceed $53 billion.¶ Layoffs¶ The industry started feeling the effects of the downturn last fall and since then US members of the General Aviation Manufacturers Association (employing 144,000 people in the U.S.) have laid off over 12,155 people to adjust to the economy with thousands more among suppliers and additional layoffs pending. In addition, some general aviation manufacturers, including Adam Aircraft and Eclipse Aviation, have declared bankruptcy and ceased production.¶ Backlog and Loss of Orders¶ Our industry held a record backlog of $83 billion at the end of the third quarter 2008, but it is rapidly shrinking. Customers are not placing orders which results in the backlog shrinking by $6-7 billion each quarter. Customers are also cancelling or delaying orders as they manage their own finances and schedule for capital purchases.¶ At the same time, the used aircraft market is saturated with inventory levels for business jets reaching over 17%. Criticism of business aviation risks further flooding the used aircraft market and depressing prices. ¶ Exports¶ Our industry is a strong contributor to U.S. exports with a total of 1,161 airplanes exported in 2008. The export billings reached $5.86 billion. The aggregate aviation industry, including GA has a positive impact on the US trade balance. Our exports accounted for 43.9 percent of the total value of U.S. manufactured general aviation airplanes in 2008. ¶ GA Flight Activity is in Decline¶ According to FAA data, overall general aviation traffic volumes in January 2009 are down 23% compared to January 2008. The same data reports the change in business jet operations is a decline of 28.3 percent for January 2009 compared to January 2008 year-over-year.¶ Small airports are operating ‘in the red'¶ There are more than 5,000 public use airports located in communities across the country. Approximately 470 of these airports have commercial airline service – making general aviation a critical lifeline for smaller communities. Many of these smaller airports are seeing their revenues plummet as general aviation flight hours decrease. For example, Aviation International News recently reported that: "A decline of nearly 20 percent in jet fuel sales has helped drag the Salina Airport Authority's 2008 budget into the red. The airport authority gets 6.6 cents from every gallon of jet fuel sold at the airport. That surcharge provides almost an eighth of the authority's operating revenue. ‘It confirms that business jet use and travel is down,' said Tim Rogers, executive director."¶ The bottom line is that the people and businesses in general aviation are subject to the sluggish economy just like everyone else. And all the information available confirms that when a recession hits general aviation, the impact is felt all across America's economy.

#### Economic decline heightens the risk of global conflict—*multiple scenarios*.

Burrows and Harris 9 Mathew J. Burrows, counselor in the National Intelligence Council, member of the CIA, holds a Ph.D. from Cambridge University, and Jennifer Harris, Member of the Long Range Analysis Unit at the National Intelligence Council, holds an M.Phil. in International Relations from Oxford University, 2009 “Revisiting the Future: Geopolitical Effects of the Financial Crisis,” The Washington Quarterly, Volume 32, Issue 2, April, Available http://www.twq.com/09april/docs/09apr\_Burrows.pdf, Accessed 08-22-2011, p. 35-37

Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample [end page 35] opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups—inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks—and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn.

The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. [end page 36] Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

### Ext 1—NextGen Inevitable

#### NextGen is inevitable—cost issues are preventing successful deployment

Christopher Mims July 8th, 2011. “NextGen Will Change Air Travel. Why the Delay?” Txchnologist.com—magazine sponsored by GE that covers science and technology. Christopher Mims is a Txchnologist writer. http://www.txchnologist.com/2011/nextgen-will-change-air-travel-why-the-delay

The way we prevent planes from crashing into one another hasn’t changed much since World War II. But by 2020, and in some places much sooner, air traffic control, navigation, and the nature of flight itself will undergo a transformation as momentous as the invention of radar itself. The results, according to the Federal Aviation Administration, will be safer skies, fewer delays, and significantly lower costs – for the taxpayer, at least.¶ To understand just how different Next Generation technology, or NextGen, is from our current air traffic control system, it helps to know a little about the one we have now. The first thing to know is that pilots generally have little idea where other planes are. All of that knowledge resides with the air traffic controller, and even his or her picture of the sky is limited. Ground radar over major air routes only sweeps the sky once every 12 seconds, while radar at terminals sweeps every four. In four seconds, a jet can travel several miles… But who will pay? The fact that NextGen will reduce costs for the FAA, by eliminating the need for many expensive radar installations and the overtaxed air traffic controllers who run them, has led some in industry to conclude that the agency should foot most of the bill.¶ The FAA has already spent $4.4 billion of the $7 billion it currently has allotted to realize NextGen. To incentivize airlines to cover the cost of retrofitting their own planes with ADS-B and, in some cases, new navigational systems, which Hansman says can run to hundreds of thousands of dollars a plane for a large commercial aircraft, the agency is considering giving carriers who install the equipment before the 2020 deadline privileged access to airports.¶ If that doesn’t work, there’s always the argument that, as fuel costs rise, the routes that can be plotted with precise satellite navigation will save enough fuel to justify the cost of retrofits. Southwest Airlines has already made this kind of commitment, and is saving $16 million a year in fuel as a result. It’s also been proposed that the FAA subsidize airlines’ costs for upgrading, but that seems unlikely in the current fiscal climate in Washington.¶ Many of the benefits of NextGen, such as safety and improved awareness for America’s many small airplanes, are public goods that are not likely to be justified on the grounds of cost alone, anyway. That’s just one of the reasons it has taken this long to realize a system that was first proposed in the 1980s. Another is that a misconception remains that NextGen is a monolithic enterprise that will be realized all at once, and can’t be rolled out in pieces.¶ “NextGen is completely based on an incremental rollout; it’s designed to be scalable” says Laura Brown, deputy assistant administrator for public affairs at the FAA. One of the dimensions of the technology that will continue to scale is a feature of NextGen that will be present only in the U.S.: A high-bandwidth data channel, known as UAT, which will allow ground controllers to send almost any kind of digital communication to planes.

#### NextGen rollout will fail without cost confidence and assurance.

Hinton 11 (Christopher, Reporter – MarketWatch, “Airlines Uneasy Over Costly Bid to Replace Radar”, MarketWatch, 5-19, http://www.marketwatch.com/Story/story/print?guid=D235C056-7D9A-11E0-915A-00212804637C)

Help was supposed to come by scrapping the 1950s-era ground-based air-traffic control system in favor of a 21st-century satellite-based tracking technology. GPS-assisted aircraft could then fly closer together, react faster to changing flight conditions and optimize their landing approaches.¶ It’s an upgrade that could save the airlines hundred of millions of dollars a year.¶ But the U.S. plan to achieve that, estimated to cost $40 billion, is stuck on the ground.¶ Poor planning and the politics of fiscal austerity have left the system only partially installed. Now, airline executives are so disillusioned that they’re balking at buying additional cockpit gear for a program they say isn’t delivering on its promise.¶ Even avionic suppliers with rich contracts at stake in the plan came up with a novel way of making their equipment more affordable, aircraft operators haven’t changed their position.¶ “Many carriers — Delta, Southwest, American, United — we have all made significant investments in equipage for our existing fleets that we are not using,” said Delta Air Lines (NYSE:DAL) Chief Executive Richard Anderson, during a recent conference call with reporters. “We want to leverage the technology we have today before we add more technology and more cost.”¶ For the Federal Aviation Administration, which is overseeing the so-called NextGen plan, the loss of confidence is another black eye for an agency still smarting from the furor over napping air-traffic controllers and a sharp rise in close calls of mid-air collisions.¶ In a watchdog report last week, the U.S. Department of Transportation’s inspector general criticized the FAA for not coming up with an “integrated master schedule” for NextGen, and highlighted design decisions that put the entire program’s cost and schedule targets at further risk.¶ Growth goals¶ In the long run, such uncertainty threatens to undermine the program and its broader economic benefits.¶ Local officials in the New York area have been hopeful that NextGen would not only drive down delay times, but also allow more aircraft to land at its airports and help spur more than $5 billion in growth by 2030.¶ For the FAA’s part, agency officials have shrugged off the concerns and defended NextGen phase-in as being on schedule since work began in 2004.¶ Once it’s online, NextGen is supposed to replace a radar system that first took shape in the aftermath of World War II.¶ Essentially a GPS system, NextGen is designed to be more accurate than radar and allow computers to track aircraft. Instead of flying in easy-to-monitor “skyways,” pilots could go “off road” and fly more efficient trajectories, supporters say.¶ The system would also help pilots plan their flight times and plot optimal landing approaches, and it allows dispatchers to narrow the space between arriving aircraft to less than a mile compared with the roughly three miles now maintained. Such optimizing is estimated to reduce flight delays by 35%, lowering fuel use and cutting pollution.¶ With the price for jet fuel up four-fold in the last decade, it’s a system the airlines can’t start using soon enough. But higher fuel prices have also squeezed profit margins, and some airlines say they can no longer stomach NextGen upgrades done haphazardly or subject to delay.¶ At the same time, the program’s potential $160 billion in build-out costs over 15 years represent a lucrative target for aerospace and avionics companies like ITT Corp. (USC:ITT) , Boeing Co. (NYSE:BA) , Lockheed Martin Corp. (NYSE:LMT) , Honeywell International Inc. (NYSE:HON) , and General Electric Co. (NYSE:GE) .¶ Last month, avionic companies acted to soften airlines’ hardened position by having Congressional allies propose a public-private partnership as part of an FAA funding bill. The arrangement aims to lease avionic equipment to aircraft operators, with options to buy.¶ Loan guarantees¶ Called the NextGen Equipage Fund, it would be financed with $1.5 billion in private capital, with ITT as the lead investor, and largely guaranteed by the federal government.¶ Backers say the fund’s advantage is that it can equip the airlines without a large cash outlay or taking on more debt, and payments would be deferred until the FAA delivers the related services, according to Russell Chew, managing partner of Nexa General Partnership Capital, which would manage the fund.¶ “The deferred payments are an important selling point to airlines that are short on cash, or have been burnt by the U.S. in past attempts to upgrade the traffic-control system,” Chew said.¶ Some of that equipment would include Automatic Dependent Surveillance-Broadcast, which gives pilots highly accurate data on an aircraft’s position in relation to others. That would allow pilots to fly more efficient trajectories between airports and closely line up their planes on final runway approaches, shortening the times between individual landings and saving fuel.¶ It could also include revamping communications with a data-exchange system between air traffic controllers and pilots, decreasing the reliance on voice communication and reducing the chance of error. It would also streamline departure clearances, airborne reroutes and taxiway information.¶ “The fund is enough to equip up to 75% of the retrofit-able aircraft,” Chew said. “And the airlines need the majority of other airlines to get equipped; otherwise you have a mix of planes that burdens air traffic control and reduces NextGen use.”¶ The House passed the FAA funding bill in April, and it now awaits reconciliation with a version cleared in the Senate.¶ “If the fund did pass, it would certainly benefit us significantly,” said Clay Jones, CEO of Rockwell Collins Inc. (NYSE:COL) , which builds some the cockpit equipment. “The fund would accelerate airlines’ move to NextGen.”¶ The ground equipment for Automatic Dependent Surveillance-Broadcast should be in place by 2013, the FAA says.

#### Agencies have already made NextGen a top priority

Aaron Karp January 13, 2012. “US Chamber says NextGen ATC should be a ‘top priority’” Air Transport World, Aaron Karp is an associate writer and researcher. http://atwonline.com/operations-maintenance/news/us-chamber-says-nextgen-atc-should-be-top-priority-0112

US Chamber of Commerce president and CEO Thomas Donohue called on Congress to make transitioning to a satellite-based, NextGen air traffic control (ATC) system "a top priority." Delivering his annual "State of American Business" address in Washington Thursday, the influential business lobbyist said upgrading ATC should be part of a "broader effort to modernize the nation's entire physical platform."¶ Financing for the NextGen system is tied up in long-stalled talks in Congress over FAA reauthorization; FAA's latest temporary funding extension expires Jan. 31 (ATW Daily News, Sept. 19, 2011). Donohue said that a "new NextGen air traffic control system ... will ease delays, conserve fuel, create jobs and save lives."

NextGen is inevitable—the FAA is going to move forward with the initiative but will fail without funding security.

Rutrell Yasin March 21, 2012. “NextGen air traffic control plan moves ahead despite uncertain funding forecast.” Federal Computer Week- Strategy and Business Management for Government Leaders. http://fcw.com/articles/2011/03/21/faa-nextgen-2011-ppan.aspx

The Federal Aviation Administration is riding a wave of momentum toward meeting its midterm vision for the NextGen National AirSpace System, but it also faces many technical, programmatic and organizational challenges, according to FAA’s recently released 2011 NextGen Implementation Plan.¶ Chief among the hurdles are uncertainties over funding and the contributions of other agencies in what is a collaborative project.¶ Funding concerns linger for the program, especially amid talk of spending cuts on Capitol Hill and the release of a Transportation Department inspector general's report last April that questioned the FAA’s ability to deliver on the project.

### Ext 2—NIB Solves NextGen

#### The bank would help fund NextGen

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

#### The bank would lay out plans to purchase future NextGen ATC

Matthew DeBord July 9, 2011. “DeBord Report- Infrastructure bank: Good for Los Angeles – and the USA?” South California Public Radio- Matthew DeBord is the host of it. He is an economic graduate of Clemson and has written about economics, business, and financial issues. NYU.http://www.scpr.org/blogs/economy/2011/08/22/3295/infrastructure-bank-good-los-angeles-and-usa

What, you may ask, is an infrastructure bank? Well, it’s what it says it is: a public bank that invests in infrastructure, such as bridges, roads, rail lines, ports, and even energy projects and things like broadband capacity. Here’s how theWhite House presented the idea:¶ The Administration’s six year plan would invest $30 billion to found a National Infrastructure Bank (I-Bank). The I-Bank would leverage this Federal investment by providing loans and grants to support individual projects and broader activities of significance to our Nation’s economic competitiveness. For example, the Bank could support improvements in road and rail access to a West Coast port that benefit farmers in the Midwest, or a national effort to guarantee private loans made to help airlines purchase equipment in support of the next generation air traffic control system (NextGen). A cornerstone of the I-Bank’s approach will be a rigorous project comparison method that transparently measures which projects offer the biggest “bang for the buck” to taxpayers and our economy. This marks a substantial departure from the practice of funding projects based on more narrow considerations. ¶ If $30 billion sounds relatively modest, that’s because it is. It’s seed money, which the I-Bank could them use to attract private capital. And there's private capital out there. For example, Goldman Sachs runs a $10 billion infrastructure fund.

#### A national infrastructure bank would fund aviation

Department of Transportation, 2012 “Budget Estimates: Fiscal Year 2012: National Infrastructure Bank” Department of Transportation—submitted for the use of the committees on appropriates as a FY 2012 Congressional Budget Justification. http://www.dot.gov/cfo/documents/IBankFY2012\_CJ.pdf

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 in the traditional transportation programs. The I-Bank will base its investment decisions on clear analytical measures of value-for-cost and level of non-Federal co-investment, competing projects against each other to determine which will produce the greatest returns to Federal investment. Unlike traditional Federal funding programs that rely solely on regular solicitations for proposals, the I-Bank will also incorporate an entrepreneurial approach to investing that seeks out the most promising projects, nationwide. Transportation and transportation-related projects proposed by states, local governments, other public agencies, and private entities with a public co-sponsor would be eligible for assistance, which could be made through grants, loans or a blend of both. A transportation related project means a project that is part of or related to a transportation improvement that involves a highway, rail, bridge, aviation, port and marine, or public¶ transportation facilities and systems; intercity passenger bus or passenger or freight rail facilities and vehicles.

### Ext 3—NextGen k2 Economy

#### NextGen reduces weather flight delays—that maximizes economic efficiency

Joint Planning and Development Office 2007 (Joint Planning and Development Office USFG “Business Case for the Next Generation Air Transportation System” 8/24/07

Complex, dynamic systems such as our NAS will always experience some unavoidable disruptions. Weather is one significant source of disruption to system capacity, sometimes causing protracted delays and inefficient routes of flight. NextGen capabilities will help mitigate portions of these weather-related delays, maximizing the economic value per flight even on the most challenging days. NextGen performance benefits in bad weather were analyzed based on three actual days of NAS operations: Results suggest that NextGen decreases the average flight delay by a factor of 7 for the excellent weather condition, a factor of 14 in a moderate weather, and by a factor of about 4.5 in a severe weather day. The Air Transport Association estimates that each minute of delay costs approximately $50 per minute per flight (excluding passenger value of time). The demand set used for this analysis contains approximately 87,000 flights; therefore, **the estimated delay savings enabled by NextGen is approximately $**282 million a day in moderate weather and $239 million a day in severe weather.

#### NextGen increases overall air mobility—that increases economic success

National Science Technology Council 2010 (National Science and Technology Council 10 Chaired by President Obama and VP Biden (Executive Branch to Coordinate Science and Technology Policy “National Aeronautics Research and Development Plan)

Mobility through the air is a key function of the nation’s air transportation system . The U.S. economic system revolves around the capability to move goods and people efficiently throughout the nation and the world. Aviation contributes an estimated $741 billion to the U .S . economy or roughly 5 .6 percent of the nation’s gross domestic product . Over 11 mil- lion jobs with $369 billion in wages are estimated to be associated with the aviation indus- try . The aerospace products and parts sector is the largest U .S . manufacturing exporter and contributes a net surplus of approximately $61 billion to the U.S. trade balance.7 Enabling mobility through the air with sufficient flexibility and affordability to accommodate the full range of aircraft requirements and attributes, as well as projected passenger and cargo traffic, is essential to America’s economic success. As a result of the recent worldwide economic turmoil and the volatility of fuel prices, projections for air traffic in the 2025 time period have varied considerably. The FAA’s fore- cast of the growth of passenger enplanements and operations between 2008 and 2025 was reduced between 35–40% in its Terminal Area Forecast (TAF) Summary 2008–2025 as com- pared to the TAF for the 2007–2025 time period. However it is interesting to note that the active general aviation fleet is forecast to grow almost 20% during the next 17 years with the more expensive, and sophisticated turbine-powered fleet (including rotorcraft) and turbine jet fleet expected to grow at forecast rates of 3.2% and 4.8%, respectively, between 2008 to 2025 (FAA Forecast 2009) . Additionally, increased operations involving very light jets, UAS, rotorcraft, and suborbital space vehicles are possible . These projections have led to increased uncertainty in demands on the NAS by 2025 . Additionally, by 2025, the possi- bility exists that new aircraft with significant changes in their performance capabilities will join the fleet (e.g., hybrid-wing body aircraft, supersonic business jets and small transports, and advanced rotorcraft) . The message remains clear that by 2025, the NAS needs to be scalable and flexible to accommodate a significant increase in the number of operations,8 as well as significant changes in the capabilities of the fleet. The environment where the NAS must accommodate a projected increase in the number of operations over a 2004 baseline9 is referred to as the “A× environment” where A refers to the growth factor over 2004 (e.g., 1 .8× refers to an environment to accommodate 1 .8 times the number of operations that occurred in 2004) . Finally, the future NAS must help enable the capabilities necessary to provide for aviation security, national security and homeland defense, and the required reduction in environmental impacts from aviation .There are clear signs that the nation’s air traffic management system is under serious stress as a result of current demand levels . The system is extremely sensitive to local perturba- tions and reacts with system-wide ripple effects. Delays result in a huge cost to industry, passengers, shippers, and government. The forecast growth in air transportation over the next two decades has also triggered community concerns over aircraft noise, air quality, and congestion . Many market-based, economic solutions could be pursued to reduce con- gestion, such as implementing congestion pricing or developing an alternative to first- come-first-served service. These have not been fully explored yet. Despite these potential nearer term solutions, current demand predictions still point to the need for a fundamental transformation of the NAS for long-term growth, which is the focus of the R&D recom- mendations in this section . A mandate for the design and deployment of a transformed air transportation system was established in Vision 100 – Century of Aviation Reauthorization Act (Public Law 108-176).10 The law established a Joint Planning and Development Office (JPDO) representing six government departments and agencies and the private sector to develop the Next Gen- eration Air Transportation System (NextGen – formerly referred to as NGATS) . NextGen will entail a revolutionary transformation of the U.S. airspace system to a performance- based, scalable, network-enabled system that will be flexible to adapt to meet future needs. Achieving NextGen will require focused and coordinated R&D to address key decisions and challenges associated with system transformation.

#### NextGen is the lynchpin for airline jobs and industry growth.

James C. May, March 18, 2009. “Air Traffic Control Modernization and Near-Term Achievable Goals” White House Backfiles. James C. May is the President and CEO of Air Transportation Association of America, Inc., this is from his statement before the Subcommittee on Aviation of the House Committee on Transportation and Infrastructure. http://www.whitehouse.gov/files/documents/cyber/Congress%20-%20NextGen%20ATS%20HouseAvSubc\_090318\_ATAWritten\_FINAL.pdf¶ The ATC system is a critical national infrastructure that serves the American people and the commerce of the United States, and all system users rely on it, especially the scheduled airline industry. The airline industry is the foundation of the commercial aviation sector, which comprises airlines, airports, manufacturers and associated vendors. U.S. commercial aviation ultimately drives $1.1 trillion per year in U.S. economic activity and 10.2 million U.S. jobs. By any measure, the U.S. airline industry is a valuable national asset and its continued economic health should be a matter of national concern. Without a modern, efficient ATC system, the airline industry will slowly strangle, U.S. commerce and productivity will be impaired and U.S. businesses will not be able to compete effectively in the global economy. For these reasons, modernizing the ATC system now is critically important to the growth and competitiveness of our economy.

### Airport Comp Good: Trade Leadership

#### Airport infrastructure investment is critical to US trade leadership and the air cargo industry

DRI ‘2 (Global Insight Company, “The National Economic Impact of Civil Aviation”. July. http://www.aia-aerospace.org/stats/resources/DRI-WEFA\_EconomicImpactStudy.pdf)

The disadvantages associated with the baseline future case examined in this study will detrimentally affect economic activity within the United States; they also will constrain the ability of the United States to compete in global markets. This section identifies the degree of global competition among nations, explores the key ways that this competition can be affected, illustrates how the United States currently competes globally, and suggests how the U.S. global competitive stance could be affected by the disadvantages associated with increasing air traffic delays.

Air Transportation and Economic Growth: From Economic Nationalism to a Global Economy

Since World War II, a key direction of global commerce has been the increasing integration of national economic activity. Industrial nations came together to form the Organization for Economic Corporation and Development (OECD). The General Agreement on Tariffs and Trade (GATT) was formed and then superseded by the World Trade Organization (WTO) to help facilitate a new era of accelerated global trade.

These trends reflect the global integration of economies as business increasingly sought not only to sell its products into wider markets, but also to coordinate production and distribution across national borders. Every region of the world has participated in these trends except for the Middle East, whose export statistics are distorted by the region’s huge exports of petroleum and related products.

This steady increase in trade activity has been enhanced by the growth of global air transportation. Clearly, air transportation has facilitated business’ ability to move its products around the world. But it has played a far more important role in bringing business managers together, enabling them to build the links, communications, and personal relationships necessary to achieve such a level of international business activity. Despite continuous advances in telecommunications technologies, the growth in global business over the past 50 years could not have been achieved without the personal contact enabled by the world’s air transportation system.

Not only is air transportation important to the global economy; it is also an important enabler of economic growth for individual economies. By developing its air transportation system, a country can better link itself to the global economy and provide an environment for its business that facilitates global activity. Conversely, there are distinct disadvantages for regions or communities that are beyond the reaches of efficient air transportation. In these regions, business remains more isolated and less able to reap the benefits offered by being connected to global economic activity.

Both adequate airport capacity and the efficiency with which the air transportation system works are critical to generating economic benefits. The main body of this report examines the impacts that a constrained system in the United States would have on the U.S. economy later in the decade. But it is also true that these constraints would inhibit the ability of the United States to compete in global markets, damaging its international competitiveness in general andtheinternational competitiveness of U.S. civil aviation specifically. This chapter examines some of the elements of such potential damage.

Competitiveness by Industry

Air Cargo

During the past three years, several analyses have shown that, in macroeconomic terms, U.S. integrated air express companies have created billions of dollars annually in reduced business inventory carrying costs, over $50 billion per year in logistics cost savings, and tens of billions of dollars of final demand and export sales that would not occur in the absence of their services.

The air express industry itself, including its ground transportation and logistics services divisions, generates approximately $60 billion a year in revenue and employs approximately 600,000 workers. In addition, a significant portion of the world’s freight is still carried either in the bellies of passenger aircraft or by all-cargo aircraft specializing in traditional “heavy freight.” These segments of the marketplace allow those shippers not necessarily demanding “express” service to enjoy the relative speed of movements by aircraft and to permit the transportation by air of oversized cargo to remote regions of the nation and world.

Global economic integration is characteristic of most of the world. Exports of goods and services in 2000 represented almost a quarter of the world’s GDP, up from just 10% in 1970. In turn, U.S. merchandise trade amounts to 22% of the world total. This steady increase in trade activity has been enhanced by the growth of global air transport.

Air Transportation and Tourism

In 1999, almost 48.5 million international visitors came to the United States, spending a total of $74.9 billion on travel-related expenses, such as lodging, gifts/souvenirs, food and beverages, and entertainment. They spent another $19.8 billion on U.S. air carriers in traveling to and from the United States. The total of air travel and travel related spending, $94.7 billion in 1999, has grown 62% since 1990, when international visitors spent about $58.3 billion in travel and travelrelated expenses to visit the United States. 22

This amount of spending is significant (the International Trade Administration—the source of these figures—estimates that foreign travel in the United States in 1999 supported over 1.1 million U.S. jobs), and exceeds the amount spent by Americans visiting other countries by $13.9 billion. In other words, the United States runs a surplus in its travel trade balance.

Anything adversely affecting this surplus, such as constrained infrastructure or regulatory barriers to adapting to market forces, would imply a decrease in the United States’ global competitiveness.

Other Industries

The increase in production costs added to American business by air transportation delays affects the U.S. global competitiveness of all industries. In this case, the increased air transportation costs implied by congestion delays raises the costs of production and distribution across the U.S. economy, resulting in a decrease in global competitiveness. An increase in air transportation costs impacts U.S. industries in two ways: higher air passenger transportation costs increase business travel and entertainment expenses, and higher air cargo costs affect those industries that utilize this form of transportation in their logistics.

Improved air transport infrastructure not only increases U.S. competitiveness in general, but also allows U.S. aviation itself to compete more effectively with foreign entities. Constraints in the U.S. air transport system first affect the economic well being of the aviation industry itself.

#### US Trade leadership is critical to multilateral trade – which solves all global problems

Panitchpakdi ‘4 (Supachai Panitchpakdi, secretary-general of the UN Conference on Trade and Development, 2/26/2004, American Leadership and the World Trade Organization, p. http://www.wto.org/english/news\_e/spsp\_e/spsp22\_e.htm

The second point is that strengthening the world trading system is essential to America's wider global objectives. Fighting terrorism, reducing poverty, improving health, integrating China and other countries in the global economy — all of these issues are linked, in one way or another, to world trade. This is not to say that trade is the answer to all America's economic concerns; only that meaningful solutions are inconceivable without it. The world trading system is the linchpin of today's global order — underpinning its security as well as its prosperity. A successful WTO is an example of how multilateralism can work. Conversely, if it weakens or fails, much else could fail with it. This is something which the US — at the epicentre of a more interdependent world — cannot afford to ignore. These priorities must continue to guide US policy — as they have done since the Second World War. America has been the main driving force behind eight rounds of multilateral trade negotiations, including the successful conclusion of the Uruguay Round and the creation of the WTO. The US — together with the EU — was instrumental in launching the latest Doha Round two years ago. Likewise, the recent initiative, spearheaded by Ambassador Zoellick, to re-energize the negotiations and move them towards a successful conclusion is yet another example of how essential the US is to the multilateral process — signalling that the US remains committed to further liberalization, that the Round is moving, and that other countries have a tangible reason to get on board. The reality is this: when the US leads the system can move forward; when it withdraws, the system drifts. The fact that US leadership is essential, does not mean it is easy. As WTO rules have expanded, so too has as the complexity of the issues the WTO deals with — everything from agriculture and accounting, to tariffs and telecommunication. The WTO is also exerting huge gravitational pull on countries to join — and participate actively — in the system. The WTO now has 146 Members — up from just 23 in 1947 — and this could easily rise to 170 or more within a decade. Emerging powers like China, Brazil, and India rightly demand a greater say in an institution in which they have a growing stake. So too do a rising number of voices outside the system as well. More and more people recognize that the WTO matters. More non-state actors — businesses, unions, environmentalists, development NGOs — want the multilateral system to reflect their causes and concerns. A decade ago, few people had even heard of the GATT. Today the WTO is front page news. A more visible WTO has inevitably become a more politicized WTO. The sound and fury surrounding the WTO's recent Ministerial Meeting in Cancun — let alone Seattle — underline how challenging managing the WTO can be. But these challenges can be exaggerated. They exist precisely because so many countries have embraced a common vision. Countries the world over have turned to open trade — and a rules-based system — as the key to their growth and development. They agreed to the Doha Round because they believed their interests lay in freer trade, stronger rules, a more effective WTO. Even in Cancun the great debate was whether the multilateral trading system was moving fast and far enough — not whether it should be rolled back. Indeed, it is critically important that we draw the right conclusions from Cancun — which are only now becoming clearer. The disappointment was that ministers were unable to reach agreement. The achievement was that they exposed the risks of failure, highlighted the need for North-South collaboration, and — after a period of introspection — acknowledged the inescapable logic of negotiation. Cancun showed that, if the challenges have increased, it is because the stakes are higher. The bigger challenge to American leadership comes from inside — not outside — the United States. In America's current debate about trade, jobs and globalization we have heard a lot about the costs of liberalization. We need to hear more about the opportunities. We need to be reminded of the advantages of America's openness and its trade with the world — about the economic growth tied to exports; the inflation-fighting role of imports, the innovative stimulus of global competition. We need to explain that freer trade works precisely because it involves positive change — better products, better job opportunities, better ways of doing things, better standards of living. While it is true that change can be threatening for people and societies, it is equally true that the vulnerable are not helped by resisting change — by putting up barriers and shutting out competition. They are helped by training, education, new and better opportunities that — with the right support policies — can flow from a globalized economy. The fact is that for every job in the US threatened by imports there is a growing number of high-paid, high skill jobs created by exports. Exports supported 7 million workers a decade ago; that number is approaching around 12 million today. And these new jobs — in aerospace, finance, information technology — pay 10 per cent more than the average American wage. We especially need to inject some clarity — and facts — into the current debate over the outsourcing of services jobs. Over the next decade, the US is projected to create an average of more than 2 million new services jobs a year — compared to roughly 200,000 services jobs that will be outsourced. I am well aware that this issue is the source of much anxiety in America today. Many Americans worry about the potential job losses that might arise from foreign competition in services sectors. But it’s worth remembering that concerns about the impact of foreign competition are not new. Many of the reservations people are expressing today are echoes of what we heard in the 1970s and 1980s. But people at that time didn’t fully appreciate the power of American ingenuity. Remarkable advances in technology and productivity laid the foundation for unprecedented job creation in the 1990s and there is no reason to doubt that this country, which has shown time and again such remarkable potential for competing in the global economy, will not soon embark again on such a burst of job-creation. America's openness to service-sector trade — combined with the high skills of its workforce — will lead to more growth, stronger industries, and a shift towards higher value-added, higher-paying employment. Conversely, closing the door to service trade is a strategy for killing jobs, not saving them. Americans have never run from a challenge and have never been defeatist in the face of strong competition. Part of this challenge is to create the conditions for global growth and job creation here and around the world. I believe Americans realize what is at stake. The process of opening to global trade can be disruptive, but they recognize that the US economy cannot grow and prosper any other way. They recognize the importance of finding global solutions to shared global problems. Besides, what is the alternative to the WTO? Some argue that the world's only superpower need not be tied down by the constraints of the multilateral system. They claim that US sovereignty is compromised by international rules, and that multilateral institutions limit rather than expand US influence. Americans should be deeply sceptical about these claims. Almost none of the trade issues facing the US today are any easier to solve unilaterally, bilaterally or regionally. The reality is probably just the opposite. What sense does it make — for example — to negotiate e-commerce rules bilaterally? Who would be interested in disciplining agricultural subsidies in a regional agreement but not globally? How can bilateral deals — even dozens of them — come close to matching the economic impact of agreeing to global free trade among 146 countries? Bilateral and regional deals can sometimes be a complement to the multilateral system, but they can never be a substitute. There is a bigger danger. By treating some countries preferentially, bilateral and regional deals exclude others — fragmenting global trade and distorting the world economy. Instead of liberalizing trade — and widening growth — they carve it up. Worse, they have a domino effect: bilateral deals inevitably beget more bilateral deals, as countries left outside are forced to seek their own preferential arrangements, or risk further marginalization. This is precisely what we see happening today. There are already over two hundred bilateral and regional agreements in existence, and each month we hear of a new or expanded deal. There is a basic contradiction in the assumption that bilateral approaches serve to strengthen the multilateral, rules-based system. Even when intended to spur free trade, they can ultimately risk undermining it. This is in no one's interest, least of all the United States. America led in the creation of the multilateral system after 1945 precisely to avoid a return to hostile blocs — blocs that had done so much to fuel interwar instability and conflict. America's vision, in the words of Cordell Hull, was that “enduring peace and the welfare of nations was indissolubly connected with the friendliness, fairness and freedom of world trade”. Trade would bind nations together, making another war unthinkable. Non-discriminatory rules would prevent a return to preferential deals and closed alliances. A network of multilateral initiatives and organizations — the Marshal Plan, the IMF, the World Bank, and the GATT, now the WTO — would provide the institutional bedrock for the international rule of law, not power. Underpinning all this was the idea that freedom — free trade, free democracies, the free exchange of ideas — was essential to peace and prosperity, a more just world. It is a vision that has emerged pre-eminent a half century later. Trade has expanded twenty-fold since 1950. Millions in Asia, Latin America, and Africa are being lifted out of poverty, and millions more have new hope for the future. All the great powers — the US, Europe, Japan, India, China and soon Russia — are part of a rules-based multilateral trading system, greatly increasing the chances for world prosperity and peace. There is a growing realization that — in our interdependent world — sovereignty is constrained, not by multilateral rules, but by the absence of rules.

#### Nuclear war

**Panzner 8** – faculty at the New York Institute of Finance, 25-year veteran of the global stock, bond, and currency markets who has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank, and JPMorgan Chase (Michael, “Financial Armageddon: Protect Your Future from Economic Collapse,” p. 136-138)

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross-border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt, and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity, be acquired from less-than-friendly nations. Whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to full-scale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part, may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation” between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

### Econ Collapse= War

#### Economic decline causes war—empirically proven.

Mead 9 — Walter Russell Mead, Senior Fellow for U.S. Foreign Policy at the Council on Foreign Relations, 2009 (“Only Makes You Stronger,” *The New Republic*, February 4th, Available Online at http://www.tnr.com/story\_print.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8, Accessed 01-25-2009)

None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads—but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises.

Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born?

The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.

#### Economic decline increases the risk of war—*strong statistical support*.

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

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. ¶ First, on the systemic level, Pollins (2008) advances Modelski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Feaver, 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. ¶ Second, on a dyadic level, Copeland's (1996, 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult [end page 213] to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 ¶ Third, others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write,¶ The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other. (Blomberg & Hess, 2002. p. 89) ¶ Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. ¶ Furthermore, crises generally reduce the popularity of a sitting government. “Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. ¶ In summary, recent economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict at systemic, dyadic and national levels.5 This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention. ¶ This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict, such as those mentioned in the first paragraph of this chapter. [end page 214] Those studies tend to focus on dyadic interdependence instead of global interdependence and do not specifically consider the occurrence of and conditions created by economic crises. As such, the view presented here should be considered ancillary to those views.

#### Economic decline collapses democracy and causes war—empirically proven.

Tilford 8 — Earl Tilford, military historian and fellow for the Middle East and terrorism with The Center for Vision & Values at Grove City College, served as a military officer and analyst for the Air Force and Army for thirty-two years, served as Director of Research at the U.S. Army’s Strategic Studies Institute, former Professor of History at Grove City College, holds a Ph.D. in History from George Washington University, 2008 (“Critical Mass: Economic Leadership or Dictatorship,” Published by The Center for Vision & Values, October 6th, Available Online at http://www.visionandvalues.org/2008/10/critical-mass-economic-leadership-or-dictatorship/, Accessed 08-23-2011)

Nevertheless, al-Qaeda failed to seriously destabilize the American economic and political systems. The current economic crisis, however, could foster critical mass not only in the American and world economies but also put the world democracies in jeopardy.¶ Some experts maintain that a U.S. government economic relief package might lead to socialism. I am not an economist, so I will let that issue sit. However, as a historian I know what happened when the European and American economies collapsed in the late 1920s and early 1930s. The role of government expanded exponentially in Europe and the United States. The Soviet system, already well entrenched in socialist totalitarianism, saw Stalin tighten his grip with the doctrine of "socialism in one country," which allowed him to dispense with political opposition real and imagined. German economic collapse contributed to the Nazi rise to power in 1933. The alternatives in the Spanish civil war were between a fascist dictatorship and a communist dictatorship. Dictatorships also proliferated across Eastern Europe.¶ In the United States, the Franklin Roosevelt administration vastly expanded the role and power of government. In Asia, Japanese militarists gained control of the political process and then fed Japan's burgeoning industrial age economy with imperialist lunges into China and Korea; the first steps toward the greatest conflagration in the history of mankind ... so far ... World War II ultimately resulted. That's what happened the last time the world came to a situation resembling critical mass. Scores upon scores of millions of people died.¶ Could it happen again? Bourgeois democracy requires a vibrant capitalist system. Without it, the role of the individual shrinks as government expands. At the very least, the dimensions of the U.S. government economic intervention will foster a growth in bureaucracy to administer the multi-faceted programs necessary for implementation. Bureaucracies, once established, inevitably become self-serving and self-perpetuating. Will this lead to "socialism" as some conservative economic prognosticators suggest? Perhaps. But so is the possibility of dictatorship. If the American economy collapses, especially in wartime, there remains that possibility. And if that happens the American democratic era may be over. If the world economies collapse, totalitarianism will almost certainly return to Russia, which already is well along that path in any event. Fragile democracies in South America and Eastern Europe could crumble.¶ A global economic collapse will also increase the chance of global conflict. As economic systems shut down, so will the distribution systems for resources like petroleum and food. It is certainly within the realm of possibility that nations perceiving themselves in peril will, if they have the military capability, use force, just as Japan and Nazi Germany did in the mid-to-late 1930s. Every nation in the world needs access to food and water. Industrial nations -- the world powers of North America, Europe, and Asia -- need access to energy. When the world economy runs smoothly, reciprocal trade meets these needs. If the world economy collapses, the use of military force becomes a more likely alternative. And given the increasingly rapid rate at which world affairs move; the world could devolve to that point very quickly.

### NextGen delays bad

#### Even if the system survives, delays will escalate, bringing the economy to a stand-still

Toner 12 (Dr. Karlin, Director and Senior Staff Advisor to the Secretary of Transportation for NextGen, Joint Planning and Development Office, “NextGen Topics”, http://www.jpdo.gov/Nextgen\_Topics.asp)

The demand placed on America's air transportation system has grown significantly over the past 30 years. In 1980, the system carried 281 million passengers. In 2008, it handled nearly 650 million passengers, according to the Department of Transportation. One of the most important benefits of the Next Generation Air Transportation System (NextGen) will be the increase in airspace capacity. Many of the core technologies used in today’s system were first developed during World War II. If the system is to adjust to future demands, new aircraft types, and changing business models, then it has to be updated and transformed to make it more scalable and flexible.¶ Aviation is Vital to the Economy¶ Our nation’s economy relies on an air transportation system that moves both people and goods from domestically and throughout the world safely and efficiently. In fact, 5.6% of our economy is represented by the aviation industry, according to the Federal Aviation Administration (FAA). In an October 2008 report entitled “The Economic Impact of Civil Aviation on the U.S. Economy”, the FAA estimates that by 2022, the failure to implement the Next Generation Air Transportation System (NextGen) would cost the US economy $22 billion annually in lost economic activity. Even as early as 2015, an FAA simulation shows that without some of the initial elements of NextGen, there will be far greater air traffic delays than currently experienced, according to the “NextGen Q & A” fact sheet at www.faa.gov.

### A2: NextGen fails

#### Their argument actually sets up the status quo, where NextGen is failing because there’s no funding certainty from the federal government. Our NAM evidence from the 1AC indicated that the Infrastructure Bank would restructure this to make NextGen a more affordable, efficient, and feasible financial option for air Traffic Control.

### \*\*Competitiveness Impact Module

#### NextGen is key to economic competitiveness.

James C. May, March 18, 2009. “Air Traffic Control Modernization and Near-Term Achievable Goals” White House Backfiles. James C. May is the President and CEO of Air Transportation Association of America, Inc., this is from his statement before the Subcommittee on Aviation of the House Committee on Transportation and Infrastructure. http://www.whitehouse.gov/files/documents/cyber/Congress%20-%20NextGen%20ATS%20HouseAvSubc\_090318\_ATAWritten\_FINAL.pdf¶ The ATC system is a critical national infrastructure that serves the American people and the commerce of the United States, and all system users rely on it, especially the scheduled airline industry. The airline industry is the foundation of the commercial aviation sector, which comprises airlines, airports, manufacturers and associated vendors. U.S. commercial aviation ultimately drives $1.1 trillion per year in U.S. economic activity and 10.2 million U.S. jobs. By any measure, the U.S. airline industry is a valuable national asset and its continued economic health should be a matter of national concern. Without a modern, efficient ATC system, the airline industry will slowly strangle, U.S. commerce and productivity will be impaired and U.S. businesses will not be able to compete effectively in the global economy. For these reasons, modernizing the ATC system now is critically important to the growth and competitiveness of our economy.

#### This results in great power conflict and arms race—competitiveness is vital to prevent the collapse of U.S. hegemony.

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

Today, economic and fiscal trends pose the most severe long-term threat to the United States’ position as global leader. While the United States suffers from fiscal imbalances and low economic growth, the economies of rival powers are developing rapidly. The continuation of these two trends could lead to a shift from American primacy toward a multi-polar global system, leading in turn to increased geopolitical rivalry and even war among the great powers.¶ The current recession is the result of a deep financial crisis, not a mere fluctuation in the business cycle. Recovery is likely to be protracted. The crisis was preceded by the buildup over two decades of enormous amounts of debt throughout the U.S. economy — ultimately totaling almost 350 percent of GDP — and the development of credit-fueled asset bubbles, particularly in the housing sector. When the bubbles burst, huge amounts of wealth were destroyed, and unemployment rose to over 10 percent. The decline of tax revenues and massive countercyclical spending put the U.S. government on an unsustainable fiscal path. Publicly held national debt rose from 38 to over 60 percent of GDP in three years.¶ Without faster economic growth and actions to reduce deficits, publicly held national debt is projected to reach dangerous proportions. If interest rates were to rise significantly, annual interest payments — which already are larger than the defense budget — would crowd out other spending or require substantial tax increases that would undercut economic growth. Even worse, if unanticipated events trigger what economists call a “sudden stop” in credit markets for U.S. debt, the United States would be unable to roll over its outstanding obligations, precipitating a sovereign-debt crisis that would almost certainly compel a radical retrenchment of the United States internationally.¶ Such scenarios would reshape the international order. It was the economic devastation of Britain and France during World War II, as well as the rise of other powers, that led both countries to relinquish their empires. In the late 1960s, British leaders concluded that they lacked the economic capacity to maintain a presence “east of Suez.” Soviet economic weakness, which crystallized under Gorbachev, contributed to their decisions to withdraw from Afghanistan, abandon Communist regimes in Eastern Europe, and allow the Soviet Union to fragment. If the U.S. debt problem goes critical, the United States would be compelled to retrench, reducing its military spending and shedding international commitments.¶ We face this domestic challenge while other major powers are experiencing rapid economic growth. Even though countries such as China, India, and Brazil have profound political, social, demographic, and economic problems, their economies are growing faster than ours, and this could alter the global distribution of power. These trends could in the long term produce a multi-polar world. If U.S. policymakers fail to act and other powers continue to grow, it is not a question of whether but when a new international order will emerge. The closing of the gap between the United States and its rivals could intensify geopolitical competition among major powers, increase incentives for local powers to play major powers against one another, and undercut our will to preclude or respond to international crises because of the higher risk of escalation.¶ The stakes are high. In modern history, the longest period of peace among the great powers has been the era of U.S. leadership. By contrast, multi-polar systems have been unstable, with their competitive dynamics resulting in frequent crises and major wars among the great powers. Failures of multi-polar international systems produced both world wars.¶ American retrenchment could have devastating consequences. Without an American security blanket, regional powers could rearm in an attempt to balance against emerging threats. Under this scenario, there would be a heightened possibility of arms races, miscalculation, or other crises spiraling into all-out conflict. Alternatively, in seeking to accommodate the stronger powers, weaker powers may shift their geopolitical posture away from the United States. Either way, hostile states would be emboldened to make aggressive moves in their regions.¶ As rival powers rise, Asia in particular is likely to emerge as a zone of great-power competition. Beijing’s economic rise has enabled a dramatic military buildup focused on acquisitions of naval, cruise, and ballistic missiles, long-range stealth aircraft, and anti-satellite capabilities. China’s strategic modernization is aimed, ultimately, at denying the United States access to the seas around China. Even as cooperative economic ties in the region have grown, China’s expansive territorial claims — and provocative statements and actions following crises in Korea and incidents at sea — have roiled its relations with South Korea, Japan, India, and Southeast Asian states. Still, the United States is the most significant barrier facing Chinese hegemony and aggression.¶ Given the risks, the United States must focus on restoring its economic and fiscal condition while checking and managing the rise of potential adversarial regional powers such as China. While we face significant challenges, the U.S. economy still accounts for over 20 percent of the world’s GDP. American institutions — particularly those providing enforceable rule of law — set it apart from all the rising powers. Social cohesion underwrites political stability. U.S. demographic trends are healthier than those of any other developed country. A culture of innovation, excellent institutions of higher education, and a vital sector of small and medium-sized enterprises propel the U.S. economy in ways difficult to quantify. Historically, Americans have responded pragmatically, and sometimes through trial and error, to work our way through the kind of crisis that we face today.¶ The policy question is how to enhance economic growth and employment while cutting discretionary spending in the near term and curbing the growth of entitlement spending in the out years. Republican members of Congress have outlined a plan. Several think tanks and commissions, including President Obama’s debt commission, have done so as well. Some consensus exists on measures to pare back the recent increases in domestic spending, restrain future growth in defense spending, and reform the tax code (by reducing tax expenditures while lowering individual and corporate rates). These are promising options. ¶ The key remaining question is whether the president and leaders of both parties on Capitol Hill have the will to act and the skill to fashion bipartisan solutions. Whether we take the needed actions is a choice, however difficult it might be. It is clearly within our capacity to put our economy on a better trajectory. In garnering political support for cutbacks, the president and members of Congress should point not only to the domestic consequences of inaction — but also to the geopolitical implications.¶ As the United States gets its economic and fiscal house in order, it should take steps to prevent a flare-up in Asia. The United States can do so by signaling that its domestic challenges will not impede its intentions to check Chinese expansionism. This can be done in cost-efficient ways.¶ While China’s economic rise enables its military modernization and international assertiveness, it also frightens rival powers. The Obama administration has wisely moved to strengthen relations with allies and potential partners in the region but more can be done.¶ Some Chinese policies encourage other parties to join with the United States, and the U.S. should not let these opportunities pass. China’s military assertiveness should enable security cooperation with countries on China’s periphery — particularly Japan, India, and Vietnam — in ways that complicate Beijing’s strategic calculus. China’s mercantilist policies and currency manipulation — which harm developing states both in East Asia and elsewhere — should be used to fashion a coalition in favor of a more balanced trade system. Since Beijing’s over-the-top reaction to the awarding of the Nobel Peace Prize to a Chinese democracy activist alienated European leaders, highlighting human-rights questions would not only draw supporters from nearby countries but also embolden reformers within China. ¶ Since the end of the Cold War, a stable economic and financial condition at home has enabled America to have an expansive role in the world. Today we can no longer take this for granted. Unless we get our economic house in order, there is a risk that domestic stagnation in combination with the rise of rival powers will undermine our ability to deal with growing international problems. Regional hegemons in Asia could seize the moment, leading the world toward a new, dangerous era of multi-polarity.

### A2: Heg Unsustainable

#### U.S. can maintain heg—it is sustainable:

#### A. Military dominance

Bradley A. Thayer (Associate Professor in the Dept. of Defense and Strategic Studies at Missouri State University) 2007 “American Empire: A Debate” p 12-3

The U.S. military is the best in the world and it has been so since end of World War II. No country has deployed its forces in so many countries and varied climates—from the Arctic to the Antarctic—from below the sea to outer space. No country is better able to fight wars of any type, from guerrilla conflicts to major campaigns on the scale of World War II. No country or likely alliance has the ability to defeat the U.S. military on the battlefield. Thus, measured on either an absolute or relative (that is, comparing the U.S. military to the militaries of other countries) scale, American military power is overwhelming. Indeed, it is the greatest that it has ever been. This is not by accident. The United States has worked assiduously, particularly since 1940, to produce the best military. The causes of American military predominance include extensive training and professional education, high morale, good military doctrine, frequency of use, learning from other militaries in the right circumstances, exceptional equipment and sound maintenance, and high levels of defense spending.

#### B. Cultural attraction

Zbigniew Brzezinski (Counselor at the Center for Strategic and International Studies and a professor of foreign policy @ Johns Hopkins) 2004 “The Choice: Global Domination or Global Leadership” p 180-1

The social impact of America on the world also entails a phenomenon akin to a cultural revolution, but a seductive and non-violent one that is farther-reaching, more enduring, and thus ultimately more truly transforming. Neither based on political direction nor derived from demagogic propagation, the American-inspired global cultural revolution is redefining the social mores, cultural values, sexual conduct, personal tastes, and individual material expectations of almost the entire world's younger generation. That generation, especially its urban portion, is increasingly characterized by common aspirations, amusements, and acquisitive instincts. Although the material means available to the world's 2.7 billion individuals in the age bracket of10—34 differ enormously from country to country--reflecting the general disparities in standards of living—there is a remarkable degree of similarity worldwide in the subjective desire for the latest CDs, in the Ease nation with American films and television serials, in the magnetic attraction of rock music, in the spread of digital games, in the ubiquity of jeans, and in the absorption even into local traditions of the American popular culture. The result may be a mishmash of the locally distinctive with the universal, but the latter is clearly traceable to America. The extraordinary seductiveness of American mass culture flows from the underpinnings of American democracy, which places special value on social egalitarianism combined with the opportunity for unlimited individual self-fulfillment and enrichment. The quest for individual wealth is the strongest social impulse in American life and the basis of the American myth. But it is accompanied by a truly egalitarian ethic that exalts the individual as the central unit of society, rewards individual creativity and constructive competitiveness, and entitles each individual to an equal opportunity to become a personal success or (though largely left unsaid) a failure. The failures unavoidably outnumber the successes, but it is the latter that the myth popularizes, thereby focusing the individual dreams of many millions on an a1luring America. Propelled by this appeal, America has become the unplanned and politically unguided vehicle for a cultural seduction that seeps in, pervades, absorbs, and reshapes the external behavior and eventually the tuner life of a growing portion of mankind. Quite literally, not a single continent, perhaps not even a single country (with the probableexception of North Korea), is immune to the irresistible penetration of this diffuse but cumulatively redefining lifestyle.

### A2: Heg Bad

#### **Heg is good.**

Zhang and Shi 2011 (Zhang and Shi, 1/22 – 11 \*Yuhan Zhang is a researcher at the Carnegie Endowment for International Peace, Washington, D.C.; Lin Shi is from Columbia University. She also serves as an independent consultant for the Eurasia Group and a consultant for the World Bank in Washington, D.C. (America’s decline: A harbinger of confl t and rivalry, <http://www.eastasiaforum.org/2011/01/22/americas-decline-a-harbinger-of-conflict-and-rivalry/>)

This does not necessarily mean that the US is in systemic decline, but it encompasses a trend that appears to be negative and perhaps alarming. Although the US still possesses incomparable military prowess and its economy remains the world’s largest, the once seemingly indomitable chasm that separated America from anyone else is narrowing. Thus, the global distribution of power is shifting, and the inevitable result will be a world that is less peaceful, liberal and prosperous, burdened by a dearth of effective conflict regulation. Over the past two decades, no other state has had the ability to seriously challenge the US military. Under these circumstances, motivated by both opportunity and fear, many actors have bandwagoned with US hegemony and accepted a subordinate role. Canada, most of Western Europe, India, Japan, South Korea, Australia, Singapore and the Philippines have all joined the US, creating a status quo that has tended to mute great power conflicts. However, as the hegemony that drew these powers together withers, so will the pulling power behind the US alliance. The result will be an international order where power is more diffuse, American interests and influence can be more readily challenged, and conflicts or wars may be harder to avoid. As history attests, power decline and redistribution result in military confrontation. For example, in the late 19th century America’s emergence as a regional power saw it launch its first overseas war of conquest towards Spain. By the turn of the 20th century, accompanying the increase in US power and waning of British power, the American Navy had begun to challenge the notion that Britain ‘rules the waves.’ Such a notion would eventually see the US attain the status of sole guardians of the Western Hemisphere’s security to become the order-creating Leviathan shaping the international system with democracy and rule of law. Defining this US-centred system are three key characteristics: enforcement of property rights, constraints on the actions of powerful individuals and groups and some degree of equal opportunities for broad segments of society. As a result of such political stability, free markets, liberal trade and flexible financial mechanisms have appeared. And, with this, many countries have sought opportunities to enter this system, proliferating stable and cooperative relations. However, what will happen to these advances as America’s influence declines? Given that America’s authority, although sullied at times, has benefited people across much of Latin America, Central and Eastern Europe, the Balkans, as well as parts of Africa and, quite extensively, Asia, the answer to this question could affect global society in a profoundly detrimental way. Public imagination and academia have anticipated that a post-hegemonic world would return to the problems of the 1930s: regional blocs, trade conflicts and strategic rivalry. Furthermore, multilateral institutions such as the IMF, the World Bank or the WTO might give way to regional organisations. For example, Europe and East Asia would each step forward to fill the vacuum left by Washington’s withering leadership to pursue their own visions of regional political and economic orders. Free markets would become more politicised — and, well, less free — and major powers would compete for supremacy. Additionally, such power plays have historically possessed a zero-sum element. In the late 1960s and 1970s, US economic power declined relative to the rise of the Japanese and Western European economies, with the US dollar also becoming less attractive. And, as American power eroded, so did international regimes (such as the Bretton Woods System in 1973). A world without American hegemony is one where great power wars re-emerge, the liberal international system is supplanted by an authoritarian one, and trade protectionism devolves into restrictive, anti-globalisation barriers. This, at least, is one possibility we can forecast in a future that will inevitably be devoid of unrivalled US primacy.

### A2: Multipolarity Solves

#### US Heg facilitates a transition to a new international multipolar order. The plan is still key.

Kaplan 08 Senior fellow at the Center for a New American Security (George, “A Gentler Hegemony”, <http://www.washingtonpost.com/wp-dyn/content/article/2008/12/16/AR2008121602480.html>)

Of course we are entering a more multipolar world. The only economic growth over the next year or two will come from developing nations, notably India and China. But there are other realities, too. We should not underestimate the diplomatic and moral leverage created by the combination of the world's most expeditionary military and a new president who will boast high approval ratings at home and around the world . No power but the United States has the wherewithal to orchestrate an Israeli-Palestinian peace deal, and our intervention in Iraq has not changed that fact. Everyone hates the word, but the United States is still a hegemon of sorts, able to pivotally influence the world from a position of moral strength. Yet American hegemony post-Iraq will be as changed as Britain's was after the Indian Mutiny. It will be a more benign and temperate version of what transpired in recent years. Henceforth, we will shape coalitions rather than act on our own. For that, after all, is the essence of a long and elegant decline: to pass responsibility on to like-minded others as their own capacities rise.

### \*\*Cargo Impact Module

#### Airport infrastructure investment is critical to US trade leadership and the air cargo industry

DRI ‘2 (Global Insight Company, “The National Economic Impact of Civil Aviation”. July. http://www.aia-aerospace.org/stats/resources/DRI-WEFA\_EconomicImpactStudy.pdf)

The disadvantages associated with the baseline future case examined in this study will detrimentally affect economic activity within the United States; they also will constrain the ability of the United States to compete in global markets. This section identifies the degree of global competition among nations, explores the key ways that this competition can be affected, illustrates how the United States currently competes globally, and suggests how the U.S. global competitive stance could be affected by the disadvantages associated with increasing air traffic delays.¶ Air Transportation and Economic Growth: From Economic Nationalism to a Global Economy ¶ Since World War II, a key direction of global commerce has been the increasing integration of national economic activity. Industrial nations came together to form the Organization for Economic Corporation and Development (OECD). The General Agreement on Tariffs and Trade (GATT) was formed and then superseded by the World Trade Organization (WTO) to help facilitate a new era of accelerated global trade. ¶ These trends reflect the global integration of economies as business increasingly sought not only to sell its products into wider markets, but also to coordinate production and distribution across national borders. Every region of the world has participated in these trends except for the Middle East, whose export statistics are distorted by the region’s huge exports of petroleum and related products. ¶ This steady increase in trade activity has been enhanced by the growth of global air transportation. Clearly, air transportation has facilitated business’ ability to move its products around the world. But it has played a far more important role in bringing business managers together, enabling them to build the links, communications, and personal relationships necessary to achieve such a level of international business activity. Despite continuous advances in telecommunications technologies, the growth in global business over the past 50 years could not have been achieved without the personal contact enabled by the world’s air transportation system. ¶ Not only is air transportation important to the global economy; it is also an important enabler of economic growth for individual economies. By developing its air transportation system, a country can better link itself to the global economy and provide an environment for its business that facilitates global activity. Conversely, there are distinct disadvantages for regions or communities that are beyond the reaches of efficient air transportation. In these regions, business remains more isolated and less able to reap the benefits offered by being connected to global economic activity. ¶ Both adequate airport capacity and the efficiency with which the air transportation system works are critical to generating economic benefits. The main body of this report examines the impacts that a constrained system in the United States would have on the U.S. economy later in the decade. But it is also true that these constraints would inhibit the ability of the United States to compete in global markets, damaging its international competitiveness in general andtheinternational competitiveness of U.S. civil aviation specifically. This chapter examines some of the elements of such potential damage. ¶ Competitiveness by Industry¶ Air Cargo ¶ During the past three years, several analyses have shown that, in macroeconomic terms, U.S. integrated air express companies have created billions of dollars annually in reduced business inventory carrying costs, over $50 billion per year in logistics cost savings, and tens of billions of dollars of final demand and export sales that would not occur in the absence of their services. ¶ The air express industry itself, including its ground transportation and logistics services divisions, generates approximately $60 billion a year in revenue and employs approximately 600,000 workers. In addition, a significant portion of the world’s freight is still carried either in the bellies of passenger aircraft or by all-cargo aircraft specializing in traditional “heavy freight.” These segments of the marketplace allow those shippers not necessarily demanding “express” service to enjoy the relative speed of movements by aircraft and to permit the transportation by air of oversized cargo to remote regions of the nation and world. ¶ Global economic integration is characteristic of most of the world. Exports of goods and services in 2000 represented almost a quarter of the world’s GDP, up from just 10% in 1970. In turn, U.S. merchandise trade amounts to 22% of the world total. This steady increase in trade activity has been enhanced by the growth of global air transport. ¶ Air Transportation and Tourism ¶ In 1999, almost 48.5 million international visitors came to the United States, spending a total of $74.9 billion on travel-related expenses, such as lodging, gifts/souvenirs, food and beverages, and entertainment. They spent another $19.8 billion on U.S. air carriers in traveling to and from the United States. The total of air travel and travel related spending, $94.7 billion in 1999, has grown 62% since 1990, when international visitors spent about $58.3 billion in travel and travelrelated expenses to visit the United States. 22 ¶ This amount of spending is significant (the International Trade Administration—the source of these figures—estimates that foreign travel in the United States in 1999 supported over 1.1 million U.S. jobs), and exceeds the amount spent by Americans visiting other countries by $13.9 billion. In other words, the United States runs a surplus in its travel trade balance. ¶ Anything adversely affecting this surplus, such as constrained infrastructure or regulatory barriers to adapting to market forces, would imply a decrease in the United States’ global competitiveness.¶ Other Industries ¶ The increase in production costs added to American business by air transportation delays affects the U.S. global competitiveness of all industries. In this case, the increased air transportation costs implied by congestion delays raises the costs of production and distribution across the U.S. economy, resulting in a decrease in global competitiveness. An increase in air transportation costs impacts U.S. industries in two ways: higher air passenger transportation costs increase business travel and entertainment expenses, and higher air cargo costs affect those industries that utilize this form of transportation in their logistics. ¶ Improved air transport infrastructure not only increases U.S. competitiveness in general, but also allows U.S. aviation itself to compete more effectively with foreign entities. Constraints in the U.S. air transport system first affect the economic well being of the aviation industry itself.

#### US Trade leadership is critical to multilateral trade – which solves all global problems

Panitchpakdi ‘4 (Supachai Panitchpakdi, secretary-general of the UN Conference on Trade and Development, 2/26/2004, American Leadership and the World Trade Organization, p. http://www.wto.org/english/news\_e/spsp\_e/spsp22\_e.htm

The second point is that strengthening the world trading system is essential to America's wider global objectives. Fighting terrorism, reducing poverty, improving health, integrating China and other countries in the global economy — all of these issues are linked, in one way or another, to world trade. This is not to say that trade is the answer to all America's economic concerns; only that meaningful solutions are inconceivable without it. The world trading system is the linchpin of today's global order — underpinning its security as well as its prosperity. A successful WTO is an example of how multilateralism can work. Conversely, if it weakens or fails, much else could fail with it. This is something which the US — at the epicentre of a more interdependent world — cannot afford to ignore. These priorities must continue to guide US policy — as they have done since the Second World War. America has been the main driving force behind eight rounds of multilateral trade negotiations, including the successful conclusion of the Uruguay Round and the creation of the WTO. The US — together with the EU — was instrumental in launching the latest Doha Round two years ago. Likewise, the recent initiative, spearheaded by Ambassador Zoellick, to re-energize the negotiations and move them towards a successful conclusion is yet another example of how essential the US is to the multilateral process — signalling that the US remains committed to further liberalization, that the Round is moving, and that other countries have a tangible reason to get on board. The reality is this: when the US leads the system can move forward; when it withdraws, the system drifts. The fact that US leadership is essential, does not mean it is easy. As WTO rules have expanded, so too has as the complexity of the issues the WTO deals with — everything from agriculture and accounting, to tariffs and telecommunication. The WTO is also exerting huge gravitational pull on countries to join — and participate actively — in the system. The WTO now has 146 Members — up from just 23 in 1947 — and this could easily rise to 170 or more within a decade. Emerging powers like China, Brazil, and India rightly demand a greater say in an institution in which they have a growing stake. So too do a rising number of voices outside the system as well. More and more people recognize that the WTO matters. More non-state actors — businesses, unions, environmentalists, development NGOs — want the multilateral system to reflect their causes and concerns. A decade ago, few people had even heard of the GATT. Today the WTO is front page news. A more visible WTO has inevitably become a more politicized WTO. The sound and fury surrounding the WTO's recent Ministerial Meeting in Cancun — let alone Seattle — underline how challenging managing the WTO can be. But these challenges can be exaggerated. They exist precisely because so many countries have embraced a common vision. Countries the world over have turned to open trade — and a rules-based system — as the key to their growth and development. They agreed to the Doha Round because they believed their interests lay in freer trade, stronger rules, a more effective WTO. Even in Cancun the great debate was whether the multilateral trading system was moving fast and far enough — not whether it should be rolled back. Indeed, it is critically important that we draw the right conclusions from Cancun — which are only now becoming clearer. The disappointment was that ministers were unable to reach agreement. The achievement was that they exposed the risks of failure, highlighted the need for North-South collaboration, and — after a period of introspection — acknowledged the inescapable logic of negotiation. Cancun showed that, if the challenges have increased, it is because the stakes are higher. The bigger challenge to American leadership comes from inside — not outside — the United States. In America's current debate about trade, jobs and globalization we have heard a lot about the costs of liberalization. We need to hear more about the opportunities. We need to be reminded of the advantages of America's openness and its trade with the world — about the economic growth tied to exports; the inflation-fighting role of imports, the innovative stimulus of global competition. We need to explain that freer trade works precisely because it involves positive change — better products, better job opportunities, better ways of doing things, better standards of living. While it is true that change can be threatening for people and societies, it is equally true that the vulnerable are not helped by resisting change — by putting up barriers and shutting out competition. They are helped by training, education, new and better opportunities that — with the right support policies — can flow from a globalized economy. The fact is that for every job in the US threatened by imports there is a growing number of high-paid, high skill jobs created by exports. Exports supported 7 million workers a decade ago; that number is approaching around 12 million today. And these new jobs — in aerospace, finance, information technology — pay 10 per cent more than the average American wage. We especially need to inject some clarity — and facts — into the current debate over the outsourcing of services jobs. Over the next decade, the US is projected to create an average of more than 2 million new services jobs a year — compared to roughly 200,000 services jobs that will be outsourced. I am well aware that this issue is the source of much anxiety in America today. Many Americans worry about the potential job losses that might arise from foreign competition in services sectors. But it’s worth remembering that concerns about the impact of foreign competition are not new. Many of the reservations people are expressing today are echoes of what we heard in the 1970s and 1980s. But people at that time didn’t fully appreciate the power of American ingenuity. Remarkable advances in technology and productivity laid the foundation for unprecedented job creation in the 1990s and there is no reason to doubt that this country, which has shown time and again such remarkable potential for competing in the global economy, will not soon embark again on such a burst of job-creation. America's openness to service-sector trade — combined with the high skills of its workforce — will lead to more growth, stronger industries, and a shift towards higher value-added, higher-paying employment. Conversely, closing the door to service trade is a strategy for killing jobs, not saving them. Americans have never run from a challenge and have never been defeatist in the face of strong competition. Part of this challenge is to create the conditions for global growth and job creation here and around the world. I believe Americans realize what is at stake. The process of opening to global trade can be disruptive, but they recognize that the US economy cannot grow and prosper any other way. They recognize the importance of finding global solutions to shared global problems. Besides, what is the alternative to the WTO? Some argue that the world's only superpower need not be tied down by the constraints of the multilateral system. They claim that US sovereignty is compromised by international rules, and that multilateral institutions limit rather than expand US influence. Americans should be deeply sceptical about these claims. Almost none of the trade issues facing the US today are any easier to solve unilaterally, bilaterally or regionally. The reality is probably just the opposite. What sense does it make — for example — to negotiate e-commerce rules bilaterally? Who would be interested in disciplining agricultural subsidies in a regional agreement but not globally? How can bilateral deals — even dozens of them — come close to matching the economic impact of agreeing to global free trade among 146 countries? Bilateral and regional deals can sometimes be a complement to the multilateral system, but they can never be a substitute. There is a bigger danger. By treating some countries preferentially, bilateral and regional deals exclude others — fragmenting global trade and distorting the world economy. Instead of liberalizing trade — and widening growth — they carve it up. Worse, they have a domino effect: bilateral deals inevitably beget more bilateral deals, as countries left outside are forced to seek their own preferential arrangements, or risk further marginalization. This is precisely what we see happening today. There are already over two hundred bilateral and regional agreements in existence, and each month we hear of a new or expanded deal. There is a basic contradiction in the assumption that bilateral approaches serve to strengthen the multilateral, rules-based system. Even when intended to spur free trade, they can ultimately risk undermining it. This is in no one's interest, least of all the United States. America led in the creation of the multilateral system after 1945 precisely to avoid a return to hostile blocs — blocs that had done so much to fuel interwar instability and conflict. America's vision, in the words of Cordell Hull, was that “enduring peace and the welfare of nations was indissolubly connected with the friendliness, fairness and freedom of world trade”. Trade would bind nations together, making another war unthinkable. Non-discriminatory rules would prevent a return to preferential deals and closed alliances. A network of multilateral initiatives and organizations — the Marshal Plan, the IMF, the World Bank, and the GATT, now the WTO — would provide the institutional bedrock for the international rule of law, not power. Underpinning all this was the idea that freedom — free trade, free democracies, the free exchange of ideas — was essential to peace and prosperity, a more just world. It is a vision that has emerged pre-eminent a half century later. Trade has expanded twenty-fold since 1950. Millions in Asia, Latin America, and Africa are being lifted out of poverty, and millions more have new hope for the future. All the great powers — the US, Europe, Japan, India, China and soon Russia — are part of a rules-based multilateral trading system, greatly increasing the chances for world prosperity and peace. There is a growing realization that — in our interdependent world — sovereignty is constrained, not by multilateral rules, but by the absence of rules.

#### Nuclear War

Panzner 8 – faculty at the New York Institute of Finance, 25-year veteran of the global stock, bond, and currency markets who has worked in New York and London for HSBC, Soros Funds, ABN Amro, Dresdner Bank, and JPMorgan Chase (Michael, “Financial Armageddon: Protect Your Future from Economic Collapse,” p. 136-138)

Continuing calls for curbs on the flow of finance and trade will inspire the United States and other nations to spew forth protectionist legislation like the notorious Smoot-Hawley bill. Introduced at the start of the Great Depression, it triggered a series of tit-for-tat economic responses, which many commentators believe helped turn a serious economic downturn into a prolonged and devastating global disaster. But if history is any guide, those lessons will have been long forgotten during the next collapse. Eventually, fed by a mood of desperation and growing public anger, restrictions on trade, finance, investment, and immigration will almost certainly intensify. Authorities and ordinary citizens will likely scrutinize the cross-border movement of Americans and outsiders alike, and lawmakers may even call for a general crackdown on nonessential travel. Meanwhile, many nations will make transporting or sending funds to other countries exceedingly difficult. As desperate officials try to limit the fallout from decades of ill-conceived, corrupt, and reckless policies, they will introduce controls on foreign exchange. Foreign individuals and companies seeking to acquire certain American infrastructure assets, or trying to buy property and other assets on the cheap thanks to a rapidly depreciating dollar, will be stymied by limits on investment by noncitizens. Those efforts will cause spasms to ripple across economies and markets, disrupting global payment, settlement, and clearing mechanisms. All of this will, of course, continue to undermine business confidence and consumer spending. In a world of lockouts and lockdowns, any link that transmits systemic financial pressures across markets through arbitrage or portfolio-based risk management, or that allows diseases to be easily spread from one country to the next by tourists and wildlife, or that otherwise facilitates unwelcome exchanges of any kind will be viewed with suspicion and dealt with accordingly. The rise in isolationism and protectionism will bring about ever more heated arguments and dangerous confrontations over shared sources of oil, gas, and other key commodities as well as factors of production that must, out of necessity, be acquired from less-than-friendly nations. Whether involving raw materials used in strategic industries or basic necessities such as food, water, and energy, efforts to secure adequate supplies will take increasing precedence in a world where demand seems constantly out of kilter with supply. Disputes over the misuse, overuse, and pollution of the environment and natural resources will become more commonplace. Around the world, such tensions will give rise to full-scale military encounters, often with minimal provocation. In some instances, economic conditions will serve as a convenient pretext for conflicts that stem from cultural and religious differences. Alternatively, nations may look to divert attention away from domestic problems by channeling frustration and populist sentiment toward other countries and cultures. Enabled by cheap technology and the waning threat of American retribution, terrorist groups will likely boost the frequency and scale of their horrifying attacks, bringing the threat of random violence to a whole new level. Turbulent conditions will encourage aggressive saber rattling and interdictions by rogue nations running amok. Age-old clashes will also take on a new, more heated sense of urgency. China will likely assume an increasingly belligerent posture toward Taiwan, while Iran may embark on overt colonization of its neighbors in the Mideast. Israel, for its part, may look to draw a dwindling list of allies from around the world into a growing number of conflicts. Some observers, like John Mearsheimer, a political scientist at the University of Chicago, have even speculated that an “intense confrontation” between the United States and China is “inevitable” at some point. More than a few disputes will turn out to be almost wholly ideological. Growing cultural and religious differences will be transformed from wars of words to battles soaked in blood. Long-simmering resentments could also degenerate quickly, spurring the basest of human instincts and triggering genocidal acts. Terrorists employing biological or nuclear weapons will vie with conventional forces using jets, cruise missiles, and bunker-busting bombs to cause widespread destruction. Many will interpret stepped-up conflicts between Muslims and Western societies as the beginnings of a new world war.

### \*\*Warming Impact Module

#### **NextGen significantly reduces greenhouse gas emissions.**

James C. May, March 18, 2009. “Air Traffic Control Modernization and Near-Term Achievable Goals” White House Backfiles. James C. May is the President and CEO of Air Transportation Association of America, Inc., this is from his statement before the Subcommittee on Aviation of the House Committee on Transportation and Infrastructure. http://www.whitehouse.gov/files/documents/cyber/Congress%20-%20NextGen%20ATS%20HouseAvSubc\_090318\_ATAWritten\_FINAL.pdf

The FAA ATC modernization project – the Next Generation Air Transportation System (NextGen) – will usher in a new era of air traffic management and control that promises enormous benefits for all stakeholders and the American people. Public benefits include improved operational efficiency, reduced fuel consumption and emissions and lower operating costs for airlines. ATA strongly supports NextGen because it addresses numerous critical needs:¶ ␣ Capacity. The current ATC system is saturated and, in some locations, cannot provide the capacity to meet public demand for convenient, safe air transportation. This situation inhibits competition and industry growth. It also is the source of unnecessary congestion and delays, and compounds the effect of weather-related delays. NextGen will enable more precise spacing of aircraft and flight paths, which will allow FAA to handle safely and efficiently the traffic growth that it forecasts. Efficiency and Productivity. NextGen will enable more efficient flying. Today’s ground-based radar system requires planes to fly over specific points on the ground to maintain radar and communications contact. Navigational aids, radar and controllers are all terrestrial. They are linked to form a complex network system that supports airways, through which aircraft fly. Today’s system also requires spacing to accommodate the time it takes for radar to detect objects. Consequently, aircraft fly indirect routings and aircraft spacing – required for safety – wastes capacity. Today’s ATC system cannot, and never will be able to, take full advantage of available technology or integrate and fully exploit emerging technology.¶ The environmental and economic impact of today’s inefficient ATC system is illustrated below. The flight in this example burned an additional 1,493 pounds of fuel (218 gallons). This added an extra 4,560 pounds of carbon dioxide (CO2) that was released into the air and cost the carrier an extra $688 in fuel (given razor-thin margins, this is significant).¶ In contrast to today’s ATC system, NextGen will enable: optimized, direct routings between airports; reduced aircraft spacing; continuous descent arrivals, precise arrival and departure routings (known as RNAV and RNP procedures), and closely spaced approaches on parallel runways in instrument flight rule conditions. These are just a few of the operational benefits of NextGen.¶ These efficiency enhancements will drive significant improvements in productivity – both in terms of asset utilization and personnel. That, in turn, will reduce operating costs, which will help keep fares down and enable those savings to be plowed back into wages and benefits and operating capital.¶ Improved ATC efficiency also will benefit private aircraft owners. Corporations use private aircraft with the expectation that such use is efficient. While we disagree with that proposition, ATC modernization will provide corporate aircraft owners the same kind of efficiency benefits that commercial airlines will enjoy if their aircraft are properly equipped. Even if they are not properly equipped, they still will enjoy a spinoff benefit simply from operating in the same airspace as more efficient commercial aircraft.¶ ␣ Environmental Benefits. More efficient operations also will use less fuel, increasing aircraft fuel efficiency and reducing greenhouse gas and other emissions. It was estimated initially that full implementation of NextGen would reduce emissions significantly. The environmental benefits of ATC modernization are real and important. Improved fuel efficiency also will reduce operating costs and contribute to improved financial conditions that, like the productivity improvements discussed above, will benefit the public and employees.¶ ␣

#### Greenhouse gases are the root cause of global warming—defer to scientific consensus.

NASA website, no date. “Global Climate Change- Vital Signs of the Planet: A Blanket around the Earth” Author is NASA (National Aeronautics and Space Administration. No Date Given. http://climate.nasa.gov/causes/

reenhouse gases...nsus.arming-- defer te Space Administration."ipolar order. The plan is still key. for air Traffic Control.Most climate scientists agree the main cause of the current global warming trend is human expansion of the "greenhouse effect"1 -- warming that results when the atmosphere traps heat radiating from Earth toward space.¶ Certain gases in the atmosphere block heat from escaping. Long-lived gases, remaining semi-permanently in the atmosphere, which do not respond physically or chemically to changes in temperature are described as "forcing" climate change whereas gases, such as water, which respond physically or chemically to changes in temperature are seen as "feedbacks."¶ Gases that contribute to the greenhouse effect include:¶ Water vapor. The most abundant greenhouse gas, but importantly, it acts as a feedback to the climate. Water vapor increases as the Earth's atmosphere warms, but so does the possibility of clouds and precipitation, making these some of the most important feedback mechanisms to the greenhouse effect.¶ Carbon dioxide (CO2). A minor but very important component of the atmosphere, carbon dioxide is released through natural processes such as respiration and volcano eruptions and through human activities such as deforestation, land use changes, and burning fossil fuels. Humans have increased atmospheric CO2 concentration by a third since the Industrial Revolution began. This is the most important long-lived "forcing" of climate change.¶ Methane. A hydrocarbon gas produced both through natural sources and human activities, including the decomposition of wastes in landfills, agriculture, and especially rice cultivation, as well as ruminant digestion and manure management associated with domestic livestock. On a molecule-for-molecule basis, methane is a far more active greenhouse gas than carbon dioxide, but also one which is much less abundant in the atmosphere.¶ Nitrous oxide. A powerful greenhouse gas produced by soil cultivation practices, especially the use of commercial and organic fertilizers, fossil fuel combustion, nitric acid production, and biomass burning.¶ Chlorofluorocarbons (CFCs). Synthetic compounds of entirely of industrial origin used in a number of applications, but now largely regulated in production and release to the atmosphere by international agreement for their ability to contribute to destruction of the ozone layer. They are also greenhouse gases… In its recently released Fourth Assessment Report, the Intergovernmental Panel on Climate Change, a group of 1,300 independent scientific experts from countries all over the world under the auspices of the United Nations, concluded there's a more than 90 percent probability that human activities over the past 250 years have warmed our planet.¶ The industrial activities that our modern civilization depends upon have raised atmospheric carbon dioxide levels from 280 parts per million to 379 parts per million in the last 150 years. The panel also concluded there's a better than 90 percent probability that human-produced greenhouse gases such as carbon dioxide, methane and nitrous oxide have caused much of the observed increase in Earth's temperatures over the past 50 years.

#### Warming causes extinction

SIFY 2010 **–** 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

### Airport privatization

#### Bank stops Airport privatization

Centre for Aviation September 9, 2010

http://www.centreforaviation.com/analysis/obama-responds-to-decaying-us-infrastructure-with-usd50-billion-plan--airports-to-benefit-34738

Leigh Fisher Management Consultants (part of the Jacobs group) weighed in by releasing a brochure entitled “Privatisation: An Alternative for Addressing Today’s Challenges”. It concluded that “a number of factors are likely to give rise to a new realism for airport privatisation, including less financial aid available from state and federal programmes and less readily available credit and capital than before the credit markets crunch.

But if the infrastructure bank goes ahead, would there be any openings left for aspiring foreign investors, or would all infrastructure requirements be channelled through the bank, which, one would presume, would be given the express task of providing that ‘declining funding? This question must also allow for the increasing preference for public bond financing, even in a country where that technique is already honed to perfection, since the AMT tax was suspended on these transactions. Just this month Chicago O’Hare International Airport stated it plans to issue USD1 billion in new bonds to continue funding the airport’s USD3.3 billion expansion project in a bid to keep the project progressing while the airport persuades American Airlines and United Airlines to contribute funding.

## Adv: Infrastructure Generic

#### **NIB would meet the needs of The American Society of Civil Engineers investment forecast**

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

The Infrastructure Bank’s initial capital of $60 billion would be deployed so as to bring in billions of additional dollars from outside investors and other partners. The Bank should have the authority to issue bonds with maturities of up to 50 years, among its other financing capabilities. These long bonds would be backed by repayment of the loans the Bank made to state and local governments, and would therefore align the financing of infrastructure investments with the benefits they create. If the bank were to provide subsidies, whether through credit insurance, interest rate discounts, or even grants to accompany its lending, these would be transparent, using credit scoring. To the extent that the bank provided non-subsidized lending, it would be self-financing. Tens of thousands of private sector jobs would be created over time, helping to provide strong economic growth.

The American Society of Civil Engineers forecasts a total infrastructure investment need of $1.6 trillion over the next 5 years. The Infrastructure Bank could be an important factor in support of such a program.

### Rail, Highway, Buses

#### The bank would include roads, bridges, new rail lines, and bus systems

Matt Strader, Assistant Secretary for Transportation in Virginia, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

In looking at how to use that money, we looked at potentially putting it to fund some of our maintenance issues, putting it towards specific projects, but then we kind of hit on -- and the state infrastructure bank idea. And we are basically going to I think model the state infrastructure bank after the TIFIA Direct Loan Program, providing direct loans at lower than market interest rates to local governments, board of supervisors, private sector partners, and transportation infrastructure projects, et cetera, with the maturity of 20 to 30 years. Eligible projects would include pretty much anything from new roads to bridges to new rail lines, acquiring new buses for transit systems, pretty much the broad spectrum of transportation.

### Incremental – Intercity rail, freight, air traffic

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Looking Forward

I believe a Bank is the right step in the evolution of federal infrastructure programs. We should implement one now, focusing it on a handful of national projects to begin – perhaps rapid intercity rail, upgrading of the Chicago freight rail nexus, and modernization of the air traffic control system. We can then gradually expand the Bank – in part by imposing and gradually lowering the threshold of federal involvement that requires the Bank’s approval until the major projects of the modal programs have all been moved to the Bank’s selection process.

## Adv: Roads

#### **Highway trust fund is failing now, destroying its benefits**

Walker and Ridge 2011 (Tom Ridge is president and CEO of the international consulting firm Ridge Global. He served as the nation’s first secretary of the U.S. Department of Homeland Security and as the assistant to the president for Homeland Security from October 2001 through December 2002. he was governor of Pennsylvania for a term. Dave Walker is founder and CEO of the Comeback America ¶ Initiative. He served as the seventh comptroller general ¶ of the United States and as head of the U.S. Government ¶ Accountability Ofϐice for almost ten year. Carnegie endowment for International Peace “Road to Recovery: Transforming America’s transportation”¶ http://carnegieendowment.org/files/road\_to\_recovery.pdf)

The highway trust fund is broken. Unaccountable spending is undermining America’s long-term strategic priorities and the nation’s infrastructure is crumbling. Failure to reform the transportation system risks deepening the United States’ dependence ¶ on oil, eroding economic competitiveness, and increasing climate disruption. Waiting to make real improvements only drives up future costs, whereas responsible policies can improve transportation and reduce the national deficit today. In recent years, the U.S. surface transportation system added nearly $175 ¶ billion annually to the national deficit, including deferred maintenance. The United States is one of only a handful of countries in the world where revenues raised to support the federal transportation system do not cover costs. Revenues represent just 62 percent of federal surface transportation expenditures, while all other members of the Organization for Economic Cooperation and Development, the group of developed economies, more ¶ than cover 100 percent of their transportation expenditures through user ¶ taxes—and sometimes several times over. Also, the practice of deferred maintenance unnecessarily contributes to this burden by increasing the cost of system upkeep to as much as $800,000 per lane mile over the life of the road. There are tangible economic benefits from the transportation system apparent in the ability of households and firms to access markets. But the benefits are waning. The rate of economic return from investment in highway infrastructure in the United States has been approaching the long-term interest rate (cost of capital) since the 1990s. Once the rate of economic return meets the long-term interest rate, it becomes equally beneficial to keep invested capital in the private sector, a clear signal that those investments could be without merit. At that point, the system no longer delivers the benefits necessary to justify public funds. While a 2011 ¶ national public opinion poll found that 79 percent of the public agrees 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,” in the same poll 64 percent of the public felt that federal ¶ spending on transportation infrastructure is “inefficient and unwise.”

#### Creating a Nation infrastructure bank would allow HTF to work

Rendell 11( May 17, 2011 Rendell is the former governor of Pennsylvania. In a presentation before the senate for building Americas future http://www.finance.senate.gov/imo/media/doc/Testimony%20of%20Ed%20Rendell.pdf)

One other way that rural areas will benefit is if existing grant programs that fund large scale projects would concentrate on smaller projects. For example, the Highway Trust Fund has recently been under threat of depletion and insolvency. Transfers of funds from the general fund into the Highway Trust Fund have kept the program alive. I believe that if the National Infrastructure Bank stands up it could ease the current strain on the Highway Trust Fund by funding and financing the larger-scale projects through the Bank. Therefore, allowing more Highway Trust Fund dollars to remain available for smaller projects in rural ¶ areas. I think that is a benefit that must be studied and explored.

#### **HTF is key to maintaining highways**

Lewis 08 (John Lewis is the U.S. Representative for Georgia's 5th congressional district, serving since 1987 and is the dean of the Georgia congressional delegation. He was a leader in the American Civil Rights Movement and chairman of the Student Nonviolent Coordinating Committee. “Understanding the highway trust fund” http://johnlewis.house.gov/issue/transportation/understanding-highway-trust-fund)

On July 23, 2008, the House passed H.R.6532, a bill that restores the Highway Trust Fund balance by making an amendment to the IRS code. This legislation will help bring more construction jobs, connecting communities, cleaner air, and encouraging businesses to invest and grow in Atlanta and across the country. Few people realize that 97 percent of the nation’s roads and highways are owned by state and local governments, and most transit systems are owned and operated by public state and local agencies. Federal support for many, many major state and local highway and transit projects are funded through the Highway Trust Fund.

#### Ineffective Highways lead to econ decline

**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.

#### Economic decline heightens the risk of global conflict—multiple scenarios.

Burrows and Harris 9 Mathew J. Burrows, counselor in the National Intelligence Council, member of the CIA, holds a Ph.D. from Cambridge University, and Jennifer Harris, Member of the Long Range Analysis Unit at the National Intelligence Council, holds an M.Phil. in International Relations from Oxford University, 2009 “Revisiting the Future: Geopolitical Effects of the Financial Crisis,” The Washington Quarterly, Volume 32, Issue 2, April, Available http://www.twq.com/09april/docs/09apr\_Burrows.pdf, Accessed 08-22-2011, p. 35-37

Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample [end page 35] opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups—inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks—and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn.

The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. [end page 36] Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

### Uniqueness: HTF Fail

#### Highway Trust Fund will Fail in the Status Quo

Nichols and Honeywell 2011 (Nichols is a former city reporter for the Boston Globe and has written stories on business, education, health, arts and religion for numerous publications including the Los Angeles Times “Six Ideas for Fixing the Nation's Infrastructure Problems” <http://www.governing.com/topics/transportation-infrastructure/six-ideas>. Holeywell’s previous work has been published by the Washington Post and USA Today, and he has appeared on CNN and public radio to discuss his articles. Holeywell graduated from George Washington University in Washington, D.C.-for-fixing-the-nations-infrastructure-problems.html)

That’s a serious problem, according to virtually all transportation experts. The nation’s highways are primarily financed by the Highway Trust Fund, which gets most of its money from a gas tax of 18.4 cents per gallon. The tax has remained unchanged since 1993 and isn’t tied to the price of gas or inflation. As a result, it’s lost a third of its purchasing power over the past 18 years. That’s caused both short- and long-term consequences. In the short term, Congress has had to bail out the trust fund to the tune of $35 billion since 2008 -- the fund spends more money than it takes in. In the long term, the situation is even more problematic. As more and more Americans opt for hybrid and electric vehicles -- and as cars in general continue to become more fuel efficient -- the highway system faces a future in which it is perpetually underfunded. It’s a system, Schroer says today, that is “at best archaic.”

#### Public-Private partnerships on highways decrease time and money required for building- Studies prove

CBO 12 (Congressional Budget office 1/9/12,”Using public private partnerships to build highways” http://www.cbo.gov/publication/42685)

Assessments of whether public-private partnerships can provide highway infrastructure more efficiently than traditional methods are challenging, in large part because of limited data and research. Only a few studies have focused on the private provision of a highway project—that is, on design and construction as well as on operations and maintenance. That research found that the use of the design-build type of public-private partnership slightly reduced the cost of building highways relative to the cost under the traditional approach and slightly reduced the amount of time required to complete the projects. The studies typically estimated that the cost of building roads through design-build partnerships was a few percentage points lower than it would have been for comparable roads provided in the traditional way. (However, estimates of such savings are quite uncertain, and the effect on costs of using design-build arrangements in the future could differ significantly from what the estimates in those studies imply.) Moreover, under such partnerships, many of the roads were built more quickly. Studies found that for projects with contracts valued at more than $100 million, the total time required to design and build the road declined by as much as a year on some projects—in part because the public-private partnership bundled the design and construction contracts and so eliminated a second, separate bidding process for the additional tasks.

#### NIB will help eliminate earmarks and evaluate infrastructure decisions using Cost benefit analysis

Zakaria ’11 (6/13/11, Fareed Zakaria hosts CNN’s flagship foreign affairs show, is Editor-at-Large of TIME Magazine, a Washington Post columnist, and a New York Times bestselling author. CNNWorld. “US needs an infrastructure bank” http://globalpublicsquare.blogs.cnn.com/2011/06/13/zakaria-u-s-needs-an-infrastructure-bank/?iref=allsearch)

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.

Mcconaghy and Kessler 11 (January, Ryan McConaghy is Deputy Director of the Third Way Economic Program, a think tank for new economic ideas.¶ . Jim Kessler is the Vice President for Policy at Third ¶ Way. Schwartz initiative on American Economic Policy “A National Infrastructure Bank” http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf)

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.

## Adv: Terrorism

### 1AC Terrorism Adv.

#### Our transportation infrastructure is vulnerable:

#### First, the Bin Laden raid documents indicated that domestic US ports are extreme targets—investment capabilities are key

Port Strategy September 2011 “Can US Port Security Stand up to the Cuts?” http://www.portstrategy.com/news101/americas/can-us-port-security-stand-up-to-the-cuts

The American Association of Port Authorities (AAPA) points out that in the decade since the World Trade Centre attack there have been substantial security gains. However, among the materials Navy SEALS found in Osama Bin Laden's Pakistan hideout were plans showing the maritime industry is still a key Al-Qaida target. Kurt Nagle, AAPA president and CEO said, “Clearly, America’s ports have become much more secure since 9/11. In addition to guarding against cargo theft, drug smuggling, human trafficking and stowaways, ports and their law enforcement partners have added the protection of people and facilities from terrorism to their security plate.” Mr. Nagle added, “There’s no question that more investment in [security equipment](http://www.portstrategy.com/news101/americas/can-us-port-security-stand-up-to-the-cuts), infrastructure, technology, personnel and training will be needed.” Given ongoing threats such as these, the seaport industry is asking US congress and administration make port security a top funding priority in current and future appropriations rather than considering it for funding cuts. Mr. Nagle said, “Regrettably, the more than 50% funding level cut recommended for FEMA’s State and Local Program grants, which includes the Port Security Grant Program, could impact the current security capabilities of many US ports as well as hamper their ability to carry out their five-year port protection plans.”

#### Second, terrorists are targeting commercial aviation now more than ever—current threats overwhelm funding levels and investment is key.

Ben Brandt, November 30 2011. “Terrorist Threats to Commercial Aviation: A Contemporary Assessment.” Ben Brandt is a senior fellow at the Combating Terrorism Center (CTC) – prepares Americans with news on recent security measures. http://www.ctc.usma.edu/posts/terrorist-threats-to-commercial-aviation-a-contemporary-assessment

One aspect of aviation security that is not frequently addressed is the potential for terrorists to strike other aspects of aviation infrastructure beyond aircraft. Commercial airlines are highly reliant upon information technology systems to handle critical functions such as reservations and crew check-in, a fact not lost upon Rajib Karim when he suggested in correspondence with Anwar al-`Awlaqi that he could erase data from British Airways’ servers, thus disabling the airline’s website.[15] Such an approach would mesh closely with al-Qa`ida core’s and AQAP’s stated aims of waging economic jihad against the West. The operational control centers operated by air carriers are another significant point of vulnerability, which conduct the airlines’ flight control, meteorology, and emergency management functions. Despite their criticality to flight operations, these control centers are rarely heavily guarded, meaning that a team of attackers equipped with inside knowledge could temporarily shut down the global operations of a major air carrier, particularly if backup facilities were to be targeted as well. Another threat to commercial aviation is the increasing number of plots and attacks targeting airports themselves rather than aircraft. There have been two significant attacks staged at international airports thus far in 2011 in Frankfurt and Moscow. Attacks against airports have been planned or executed using a variety of tactics, such as firearms, car bombs, suicide bombers, and hijacked aircraft. The targets have included airport facilities such as fuel lines, arrival halls, and curbside drop-off points. Terrorists could also breach perimeter fencing and assault aircraft on runways, taxiing areas, and at gates. This tactic was used during the 2001 Bandaranaike airport attack in Sri Lanka, when a team of Black Tigers[16] used rocket-propelled grenades and antitank weapons to destroy half of Sri Lankan Airlines’ fleet of aircraft.[17] More recently, Afghan authorities announced the discovery of arms caches belonging to the Haqqani network near Kabul Airport and claimed that the group had planned to use the caches to stage an assault on the airport.[18] The actions of activist groups—such as Plane Stupid, which has breached perimeter fencing at UK airports so that activists could handcuff themselves to aircraft in a protest against the airline industry’s carbon emissions[19]—demonstrate the viability of such an attack in the West as well.[20]¶ The trend toward attacking airports rather than aircraft has likely been driven by a number of factors, particularly increased checkpoint screening measures and terrorists’ growing emphasis on decentralized, small-scale attacks on targets of opportunity. Firearms will likely prove to be a key component of future attacks, given their relative ease of use compared to explosives, as well as their wide availability in the United States and many other countries. This trend was exemplified by the 2011 Frankfurt attack, which was conducted by Arid Uka, an employee at the airport’s postal facility, who shot and killed two U.S. soldiers at a bus at the terminal. Although deployment of plainclothes security personnel and quick reaction teams can help ameliorate the impact of attacks on airports, their ease of execution and the impossibility of eliminating all airport queues (be they for drop-off, check-in, security screening, baggage claim, or car rentals) make this tactic a persistent threat.¶ Required Steps to Improve Aviation Security¶ Given the breadth and complexity of threats to commercial aviation, those who criticize the TSA and other aviation security regulatory agencies for reactive policies and overly narrow focus appear to have substantial grounding. Three particularly serious charges can be levied against the TSA: it overemphasizes defending against specific attack vectors (such as hijackings or passenger-borne IEDs) at the expense of others (such as insider threats or attacks on airports); it overemphasizes securing U.S. airports while failing to acknowledge the significantly greater threat posed to flights arriving or departing from foreign airports; and it has failed to be transparent with the American people that certain threats are either extremely difficult or beyond the TSA’s ability to control. Furthermore, the adoption of cumbersome aviation security measures in the wake of failed attacks entails a financial burden on both governments and the airline industry, which has not gone unnoticed by jihadist propagandists and strategists. While the U.S. government has spent some $56 billion on aviation security measures since 9/11, AQAP prominently noted that its 2010 cargo plot cost a total of $4,900.[21]¶ With this in mind, there are several measures that could be undertaken to improve U.S. aviation security. First, policymakers must recognize the timely collection and exploitation of intelligence will always be the most effective means of interdicting terrorist threats to aviation, whether by disrupting terrorist leadership in safe havens, breaking up nascent plots, or preventing would-be terrorists from boarding aircraft. The successful exploitation of intelligence gathered from the Bin Ladin raid in May 2011 has likely done far more to defend commercial aviation from al-Qa`ida than the use of advanced imaging equipment and patdowns.¶ Second, the TSA and other aviation security regulators must increase their liaison with the airline industry regarding the development of risk mitigation strategies, as airlines are far more aware of the vulnerabilities inherent to commercial aviation, as well as the practical constraints on proposed security measures.¶ Third, rather than increasing spending on screening equipment and employees deployed in the United States, the TSA and other regulators should instead provide financial support for airlines attempting to improve security for their overseas operations. This could include subsidizing background checks on airlines’ international employees and vendors, paying for armed guards at ticket counters, helping upgrade security for airlines’ computer networks and control centers, and paying for the deployment of ETD screening equipment. Aviation security regulators should also work to improve the quality of threat information shared with airlines, which is frequently dated, irrelevant, or inaccurate.¶

#### Third, terrorists perceive our transportation infrastructure as our biggest dependence and incentivizes attacks—any attack would ripple through the rest of the country

Daniel Zeng et al 2007 “Protecting Transportation Infrastructure.” ITS Department Article to appear in IEEE Intelligent Systems July/August 2007 Issue. Daniel Zeng on the University of Arizona. Sudarshan S. Chawathe, professor of IR at the University of Maine. Fei-Yue Wang, Chinese Academy of Science—tech professor. http://www.cs.umaine.edu/~chaw/pubs/ispt.pdf

Transportation infrastructures are frequent targets of terrorist attacks because of their significance in several dimensions. Because physical transportation networks attract large numbers of people, they’re high­ value targets for terrorists intending to inflict heavy casualties. Transportation infrastructures themselves are important to the modern economy, and related damages and destruction can have quick ripple effects. Operationally, transportation systems interact with and provide support for other systems, such as emergency response and public health, in complex ways. Terrorists can perceive an attack on such a link (that is, one that connects many systems) as an efficient means to create confusion, counter the counter­ measures, and damage the targeted society as a whole. Furthermore, transportation infrastructures can be both the means and the end of an attack, making them a critical part of almost all terrorist attacks in the physical world.

#### Even minor terrorist attacks spillover globally.

Tony Addison and S. Mansoob Murshed, December 2002. “Transnational Terrorism as A Spillover of Domestic Disputes in Other Countries.” United Nations University World Institute for Development Economic Research. Addison—part of UNI WIDER and the Institute of Social Studies, director of the project on New Directions in Development Economics. Murshed—professor of International Inustrial Economics and the University of Birmigham, professorship at the Institute of Social Studies, The Hague, on the Economics of Conflcit and Peaace. Fellow at the Peace Research Institute. http://www.wider.unu.edu/stc/repec/pdfs/rp2002/dp2002-120.pdf

A transnational terrorist act is one that impacts on the citizenry or interests of a country not directly part of the conflict in question. It can occur anywhere, both in the country where the conflict is occurring or elsewhere. Thus, for example, if the USA or the west is a target, then its citizens may be attacked in countries where the attackers are fighting the state, such as by Jihad in Egypt or Moro separatists (Abu Sayyaf) in the Philippines. Mainland France may be subject to attacks by the Algerian FIS. Attacks or kidnappings can also occur in third countries, such as Malaysia; attacks on US interests can take place in the USA (such as against the Twin Towers), or elsewhere as with the US embassy bombings in East Africa…The purpose of this paper is to model these three-way interactions in a game-theoretic framework. The parties include a government that faces armed opposition at home; this may spill over in the form of acts of terrorism by the state’s opponents or rebels against¶ the government’s external sponsor. This paper is concerned with the ‘demand’ side for terrorism. There is a vast literature on terrorist interaction and negotiation with the government affected by terrorism. Other papers are concerned with the ‘supply’ side of terrorism; recruitment, retention, group formation and conformity, see for example, Ferrero (2002) and Wintrobe (2002). Still others are concerned with the global anti- terrorist deterrence burden sharing between the USA, UK, France and other western powers, for example, Sandler and Enders (2002). However, scant attention has been paid in the analytical modelling literature to terrorism as a spillover of a domestic dispute involving a government, a rebel group, and an outside sponsor of the government, as in our paper.

#### Terrorism guarantees global cyber, biological, chemical, and nuclear war

Alexander 03 (Yonah, Prof and Director of Inter-University for Terrorism Studies, Washington Times, August 28, lexis)

Unlike their historical counterparts, contemporary terrorists have introduced a new scale of violence in terms of conventional and unconventional threats and impact. The internationalization and brutalization of current and future terrorism make it clear we have entered an Age of Super Terrorism [e.g. biological, chemical, radiological, nuclear and cyber] with its serious implications concerning national, regional and global security concerns. Two myths in particular must be debunked immediately if an effective counterterrorism "best practices" strategy can be developed [e.g., strengthening international cooperation]. The first illusion is that terrorism can be greatly reduced, if not eliminated completely, provided the root causes of conflicts - political, social and economic - are addressed. The conventional illusion is that terrorism must be justified by oppressed people seeking to achieve their goals and consequently the argument advanced by "freedom fighters" anywhere, "give me liberty and I will give you death," should be tolerated if not glorified. This traditional rationalization of "sacred" violence often conceals that the real purpose of terrorist groups is to gain political power through the barrel of the gun, in violation of fundamental human rights of the noncombatant segment of societies. For instance, Palestinians religious movements [e.g., Hamas, Islamic Jihad] and secular entities [such as Fatah's Tanzim and Aqsa Martyr Brigades]] wish not only to resolve national grievances [such as Jewish settlements, right of return, Jerusalem] but primarily to destroy the Jewish state. Similarly, Osama bin Laden's international network not only opposes the presence of American military in the Arabian Peninsula and Iraq, but its stated objective is to "unite all Muslims and establish a government that follows the rule of the Caliphs." The second myth is that strong action against terrorist infrastructure [leaders, recruitment, funding, propaganda, training, weapons, operational command and control] will only increase terrorism. The argument here is that law-enforcement efforts and military retaliation inevitably will fuel more brutal acts of violent revenge. Clearly, if this perception continues to prevail, particularly in democratic societies, there is the danger it will paralyze governments and thereby encourage further terrorist attacks. In sum, past experience provides useful lessons for a realistic future strategy. The prudent application of force has been demonstrated to be an effective tool for short- and long-term deterrence of terrorism. For example, Israel's targeted killing of Mohammed Sider, the Hebron commander of the Islamic Jihad, defused a "ticking bomb." The assassination of Ismail Abu Shanab - a top Hamas leader in the Gaza Strip who was directly responsible for several suicide bombings including the latest bus attack in Jerusalem - disrupted potential terrorist operations. Similarly, the U.S. military operation in Iraq eliminated Saddam Hussein's regime as a state sponsor of terror. Thus, it behooves those countries victimized by terrorism to understand a cardinal **message** communicated **by** Winston Churchillto the House of Commons on May 13, 1940: "Victory at all costs, victory in spite of terror, victory however long and hard the road may be: For without victory, there is no survival."

#### NIB would create incentives for solid investment and bolster national security—Europe prove.

John Kerry, September 21, 2010. “Testifying in Favor of National Infrastructure Bank.” Senate Website. John Kerry—U.S. Senator for Massachusetts. http://www.kerry.senate.gov/press/release/?id=4ecea306-d131-400c-9d96-1227cb356b15

WASHINGTON, D.C. – Senator John Kerry (D-Mass.) today renewed his call for the development of a National Infrastructure Bank. In testimony this morning before the Banking, Housing, and Urban Affairs Committee, Kerry said that strengthened roads, bridges, rail, and aviation will create jobs, strengthen our economic competitiveness, and bolster our national security.¶ Earlier this month, Senator Kerry said he’s committed to developing National Infrastructure Bank legislation.¶ The full text of Sen. Kerry’s testimony as prepared is below:¶ Mr. Chairman and Senator Shelby, I want to thank you for the opportunity to testify at this hearing to explore ways to develop a National Infrastructure Bank. Rising economic powers around the world are investing in their future – we need to do the same before we fall farther behind.¶ There are many ideas about the best way forward. We must be candid that there’s no way to become more competitive on the cheap. But what’s clear to me is that the best way – and the most efficient way – the way that galvanizes private sector investment rather than a big government approach - is to create an infrastructure bank for the United States. Already, a diverse bipartisan group supports the idea of a national infrastructure bank including the Chamber of Commerce, the AFL-CIO and SEIU.¶ We need to create new and strong incentives for investment here in the building blocks for economic competitiveness – roads, bridges, rail, aviation and other essential infrastructure. But investing and upgrading our infrastructure is not only good economic policy, just as President Eisenhower recognized when he built the national highway system and bet on American ingenuity and American economic capacity to strengthen our hand in the Cold War, it’s related to our national security and our strength in the world. Simply put, a strong economy at home means a stronger America in the world.¶ At times, we do, we can, and we will debate and disagree over the appropriate size of government. I believe that Americans don’t want "big government," but they certainly want as much government as it takes to be safe and secure on our roads, bridges, rail, and highways -- businesses certainly want as much government as is required to efficiently, cheaply move products to market -- and that means upgrading our nation's highway, rail, maritime and aviation systems and modernizing our electrical grid.¶ How bad do we need help? In 2008, the National Surface Transportation Policy and Revenue Study Commission called for an annual investment of $250 billion from federal, state and local governments for the next 50 years to meet our transportation needs. We are talking about staggering sums here, and it clearly reflects just how much we have neglected our infrastructure – and just how much we need to do in the years ahead. ¶ Well-functioning infrastructure is not a luxury – it is the key to connecting and protecting our people and creating millions of middle-class jobs for American workers over the long term. And it is vital to our economic future in the face of global competition. Our growth and exports are directly tied to how our infrastructure operates. Quite simply, we are falling behind many of our main economic competitors, and the further we fall behind in this race, the harder it will be to catch up.¶ For example, China’s 2009 infrastructure spending is estimated at 9 percent of GDP, or $350 billion, and is growing at an annual rate of 20 percent. China’s highway mileage is expected to surpass the United States’ in under three years.¶ Europe’s infrastructure bank, the European Investment Bank, financed $350 billion in projects from just 2005 to 2009 across the European continent, helping modernize seaports, expand airports, build rail lines and reconfigure city centers.

#### Finally, a terrorist attack would lead the US into “revenge” wars and extended conflict and breeds more terrorism and leads to economic collapse.

Anup Shah, September 24, 2011. “War on Terror: 10 Years Since the 9-11 Terrorist Attacks.” Anup Shah – create of the Global Issues Organization. http://www.globalissues.org/about/572/who-am-i-how-is-the-site-funded

It was with disbelief and shock that people around the world saw footage of the terrorist attacks in the US on on September 11, 2001 when the planes-turned-missiles slammed into the World Trade Center towers and damaged the Pentagon.¶ This ultimately resulted in the US declaring and waging a war on “terror”. Osama Bin Laden was eventually tracked down and killed some 10 years later. But the way the war on terror has been conducted has led to many voicing concerns about the impact on civil liberties, the cost of the additional security focused changes, the implications of the invasions and wars in Iraq and ¶ And looking back, what has the US to show for its decade of effort? Has it been winning the war on terror? It depends how it is measured. The killing of Osama Bin Laden was of course a major success. But the cost of vengeance (instead of justice) has also been high:¶ A further turn towards hatred and a rise in those who think most Muslims are terrorists, that Islam is a threat to the world, etc.¶ Wars that have seen far more than the 3,500 deaths that the US saw, and a self-fulfilling prophecy; creating more anger and resentment against the US, more potential terrorists, and the complete opposite of what the neo-cons wanted; global downturn and US decline instead consolidating their power and position in the world.¶ Over 6,000 US soldiers killed in wars in Afghanistan and Iraq. Possibly 100 times that number of civilians in those countries (in Iraq, at an early point, there was an estimated range of 400,000 to 900,000 civilian deaths, which of course Bush had to reject, claiming it used flawed techniques, even though it used estimation techniques his own government agencies taught others to use).¶ And also worryingly, as Inter Press Service (IPS) correspondent Jim Lobe notes, Al Qaeda’s project for ending the “American Century” appears to have largely succeeded:¶ Al Qaeda appears to have largely succeeded in its hopes of accelerating the decline of U.S. global power, if not bringing it to the brink of collapse.¶ That appears to be the strong consensus of the foreign-policy elite which, with only a few exceptions, believes that the administration of President George W. Bush badly “over-reacted” to the attacks and that that over-reaction continues to this day.¶ — Jim Lobe, Al Qaeda’s Project for Ending the American Century Largely Succeeded, Inter Press Service, September 8, 2011¶ The rest of Jim Lobe’s article provides a useful summary of why Bush’s focus on Iraq (under the clearly false and fear-mongering excuses of weapons of mass destruction and links to terrorism), instead of tackling terrorism, was “perhaps the single-most disastrous foreign policy decision by a U.S. president in the past decade, if not the past century.” This is because it allowed the Taliban to regroup in Afghanistan leading to more expensive military operations and strengthening Al Qaeda’s resolve further. Meanwhile, various US actions in Iraq and elsewhere damaged its reputation around the world.¶ The above summary also matches concerns raised further below (in the section on Bush Losing the War on Terror) which was written quite some time ago, so it did not have to take a decade to look back and see a change in course should have been possible. But maybe the impact of the enormous cost this would have (US tax payers have had to fork out trillions of dollars) was somewhat unimaginable?¶ The costs have been staggering in almost every respect. The estimated three to 4.4 trillion dollars Washington has incurred either directly or indirectly in conducting the “global war on terror” account for a substantial portion of the fiscal crisis that transformed the country’s politics and brought it to the edge of bankruptcy last month.¶ And while the U.S. military remains by far the strongest in the world, its veil of invincibility has been irreparably pierced by the success with which rag-tag groups of guerrillas have defied and frustrated it.¶ — Jim Lobe, Al Qaeda’s Project for Ending the American Century Largely Succeeded, Inter Press Service, September 8, 2011¶ For many years even before 9-11, neoconservatives had called for the US to consolidate its position in the world as the sole superpower and dominate further. 9-11 appeared to give them an excuse to push these ideas further and their ideology permeated throughout top-level thinking of the Bush Administration. It is therefore quite ironic, as Jim Lobe also notes, that “leading the charge [for such an aggressive foreign policy approach] were precisely those hawks whose fondest wish was to extend, rather than cut short, Washington’s global hegemony.”¶ By framing this as a war on “terror” (which, as a concept can almost never end), an excuse is now afforded to all governments to put in place tough security measured on any potentially flimsy basis. And the predicted “war” on civil liberties and human rights has unfortunately proven true as human rights organizations around the world feared from the start of the war on terror (as discussed further below).¶

### A2: Al-Qaeda Injured

**Even if Al-queda forces are injured don’t believe the hype; a terrorist attack on the US is very likely—violent and peaceful periods are part of normal security systems.**

Burton ’09 Fred Burton and Scott Stewart, March 18, 2009, “[Counterterrorism Funding: Old Fears and Cyclical Lulls” http://www.stratfor.com/weekly/20090318\_counterterrorism\_funding\_old\_fears\_and\_cyclical\_lulls](http://www.stratfor.com/weekly/20090318_counterterrorism_funding_old_fears_and_cyclical_lulls)

Two years ago, we wrote an article discussing the historical pattern of the [boom and bust in counterterrorism spending](http://www.stratfor.com/boom_and_bust_cycle_counterterrorism_spending/?utm_source=TWeekly&utm_campaign=none&utm_medium=email). In that article we discussed the phenomenon whereby a successful terrorist attack creates a profound shock that is quite often followed by an extended lull. We noted how this dynamic tends to create(s) a pendulum effect in public perception and how public opinion is ultimately translated into public policy that produces security and counterterrorism funding. In other words, the shock of a successful terrorist attack creates a crisis environment in which the public demands action from the government and Washington responds by earmarking vast amounts of funds to address the problem. Then the lull sets in, and some of the programs created during the crisis are scrapped entirely or are killed by a series of budget cuts as the public’s perception of the threat changes and its demands for government action focus elsewhere. The lull eventually is shattered by another attack — and another infusion of money goes to address the now-neglected problem. On March 13, The Washington Post carried a story entitled “Hardened U.S. Embassies Symbolic of Old Fears, Critics Say.” The story discussed the new generation of U.S. Embassy buildings, which are often referred to as [“Inman buildings”](http://www.stratfor.com/embassy_closures_jordan_militant_threat_remains/?utm_source=TWeekly&utm_campaign=none&utm_medium=email) by State Department insiders. This name refers to buildings constructed in accordance with the physical security standards set by the Secretary of State’s Advisory Panel on Overseas Security, a panel chaired by former Deputy CIA Director Adm. Bobby Inman following the 1983 attacks against the U.S. embassies in Beirut and Kuwait City. The 1985 Inman report, which established these security requirements and contributed to one of the historical security spending booms, was also responsible for beefing up the State Department’s Office of Security and transforming it into the Diplomatic Security Service (DSS). It has been 11 years since a U.S. Embassy has been reduced to a smoking hole in the ground, and the public’s perception of the threat appears to be changing once again. In The Washington Post article, Stephen Schlesinger, an adjunct fellow at the Century Foundation, faults the new Inman building that serves as the U.S. Mission to the United Nations in New York for being unattractive and uninviting. Schlesinger is quoted as saying: “Rather than being an approachable, beckoning embassy — emphasizing America’s desire to open up to the rest of the globe and convey our historically optimistic and progressive values — it sits across from the U.N. headquarters like a dark, forbidding fortress, saying, ‘Go away.’” When opinion leaders begin to express such sentiments in The Washington Post, it is an indication that we are now in the lull period of the counterterrorism cycle. Tensions Over Security There has always been a tension between security and diplomacy in the U.S. State Department. There are some diplomats who consider security to be antithetical to diplomacy and, like Mr. Schlesinger, believe that U.S. diplomatic facilities need to be open and accessible rather than secure. These foreign service officers (FSOs) also believe that regional security officers are too risk averse and that they place too many restrictions on diplomats to allow them to practice effective diplomacy. (Regional security officer — RSO — is the title given to a DSS special agent in charge of security at an embassy.) To quote one FSO, DSS special agents are “cop-like morons.” People who carry guns instead of demarches and who go out and arrest people for passport and visa fraud are simply not considered “diplomatic.” There is also the thorny issue that in their counterintelligence role, DSS agents are often forced to confront FSOs over personal behavio r (such as sexual proclivities or even crimes) that could be considered grounds for blackmail by a hostile intelligence service. On the other side of the coin, DSS agents feel the animosity emanating from those in the foreign service establishment who are hostile to security and who oppose the DSS efforts to improve security at diplomatic missions overseas. DSS agents refer to these FSOs as “black dragons” — a phrase commonly uttered in conjunction with a curse. DSS agents see themselves as the ones left holding the bag when an FSO disregards security guidelines, does something reckless, and is robbed, raped or murdered. It is most often the RSO and his staff who are responsible for going out and picking up the pieces when something turns bad. It is also the RSO who is called before a U.S. government accountability review board when an embassy is attacked and destroyed. In the eyes of a DSS special agent, then, a strong, well-protected building conveys a far better representation of American values and strength than does a smoldering hole in the ground, where an “accessible&# 8221; embassy once stood. In the mind of a DSS agent, dead diplomats can conduct no diplomacy.This internal tension has also played a role in the funding boom and bust for diplomatic security overseas. Indeed, DSS agents are convinced that the black dragons consistently attempt to cut security budgets during the lull periods. When career foreign service officers like Sheldon Krys and Anthony Quainton were appointed to serve as assistant secretaries for diplomatic security — and presided over large cuts in budgets and manpower — many DSS agents were convinced that Krys and Quainton had been placed in that position specifically to sabotage the agency. DSS agents were suspicious of Quainton, in particular, because of his history. In February 1992, while Quainton was serving as the U.S. ambassador to Peru, the ambassador’s residence in Lima was attacked by Shining Path guerrillas who detonated a large vehicular-borne improvised explosive device in the street next to it. A team sent by the DSS counterterrorism investigations division to investigate the attack concluded in its report that Quainton’s refusal to follow the RSO’s recommendation to alter his schedule was partially responsible for the attack. The report angered Quainton, who became the assistant secretary for diplomatic security seven months later. Shortly after assuming his post, Quainton proclaimed to his staff that “terrorism is dead” and ordered the abolishment of the DSS counterterrorism investigations division. Using a little bureaucratic sleight of hand, then-DSS Director Clark Dittmer renamed the office the Protective Intelligence Investigations Division (PII) and allowed it to maintain its staff and function. Although Quainton had declared terrorism dead, special agents assigned to the PII office would be involved in the investigation of the first known al Qaeda attacks against U.S. interests in Aden and Sanaa,Yemen, in December 1992. They also played a significant role in the investigation of the World Trade Center bombing in February 1993, the investigation of the 1993 New York Landmarks Plot and many subsequent terrorism cases. Boom-and-Bust Funding One of the problems problem created by the feast-or-famine cycle of security funding is that during the boom times, when there is a sudden (and often huge) influx of cash, agencies sometimes have difficulty spending all the money allotted to them in a logical and productive manner. Congress, acting on strong public opinion, often will give an agency even more than it initially requested for a particular program — and then expect an immediate solution to the problem. Rather than risk losing these funds, the agencies scramble to find ways to spend them. Then, quite often, by the time the agency is able to get its act together and develop a system effectively to use the funds, the lull has set in and funding is cut. These cuts frequently are accompanied by criticism of how the agency spent the initial glut of funding. Whether or not it was a conscious effort on the part of people like Quainton, funding for diplomatic security programs was greatly reduced during the lull period of the 1990s. In addition to a reduction in the funding provided to build new embassies or bring existing buildings up to Inman standards, RSOs were forced to make repeated cuts in budgets for items such as local guard forces, residential security and the maintenance of security equipment such as closed-circuit TV cameras and vehicular barriers. These budget cuts were identified as a contributing factor in the 1998 bombings of the U.S. Embassies in Nairobi and Dar es Salaam. The final report of the Crowe Commission, which was established to investigate the attacks, notes that its accountability review board members “were especially disturbed by the collective failure of the U.S. government over the past decade to provide adequate resources to reduce the vulnerability of U.S. diplomatic missions to terrorist attacks in most countries around the world.” The U.S. Embassy in Nairobi was known to be vulnerable. Following the August 1997 raid on the Nairobi residence of[Wadih el-Hage](http://www.stratfor.com/warning_bells_and_obstacles_constant_surveillance/?utm_source=TWeekly&utm_campaign=none&utm_medium=email), U.S. officials learned that el-Hage and his confederates had conducted extensive pre-operational surveillance against the U.S. Embassy in Nairobi, indicating that they planned to attack the facility. The U.S. ambassador in Nairobi, citing the embassy’s vulnerability to car bomb attacks, asked the state department in December 1997 to authorize a relocation of the embassy to a safer place. In its January 1998 denial of the request, the state department said that, in spite of the threat and vulnerability, the post’s “medium” terrorism threat level did not warrant the expenditure. Old Fears The 1998 East Africa embassy bombings highlighted the consequences of the security budget cuts that came during the lull years. Clearly, terrorism was not dead then, nor is it dead today, in spite of the implications in the March 13 Washington Post article. Indeed, the current threat of attacks directed against U.S. diplomatic facilities is very real. Since January 2008, we have seen attacks against U.S. diplomatic facilities in[Sanaa, Yemen](http://www.stratfor.com/analysis/20080917_yemen_more_sophisticated_attack/?utm_source=TWeekly&utm_campaign=none&utm_medium=email); [Istanbul, Turkey](http://www.stratfor.com/analysis/turkey_u_s_istanbul_consulate_attack_examined/?utm_source=TWeekly&utm_campaign=none&utm_medium=email); Kabul, Afghanistan; Belgrade, Serbia; and [Monterrey, Mexico](http://www.stratfor.com/analysis/20081013_mexico_security_memo_oct_13_2008/?utm_source=TWeekly&utm_campaign=none&utm_medium=email) (as well as attacks against Ameri can diplomats in Pakistan, Sudan and Lebanon). Since 2001, there have also been serious attacks against U.S. diplomatic facilities in Jeddah, Saudi Arabia; Karachi, Pakistan; Damascus, Syria; Athens, Greece; and Baghdad, Iraq. Even if one believes, as we do, that [al Qaeda’s abilities have been severely degraded](http://www.stratfor.com/weekly/20090107_jihadism_2009_trends_continue/?utm_source=TWeekly&utm_campaign=none&utm_medium=email) since 9/11, it must be recognized that the group and its regional franchises still retain the ability to conduct tactical strikes.

### Transportation Vulnerable

#### Transportation is extremely vulnerable to terrorism.

Council on Foreign Relations, July 13, 2006. “Could terrorists attack ground transportation in the United States?” Council on Foreign Relations. http://www.cfr.org/homeland-security/targets-terrorism-ground-transportation/p10198

Yes. Since September 11, U.S. authorities have issued several general warnings of possible terrorist attacks on parts of the ground transportation system, including subways, railroad trains, and bridges. Unlike airlines, where security checkpoints screen passengers and luggage, mass transit options like subways, passenger trains, and buses, are designed to be easily accessible and are therefore harder to protect. Ground transportation systems—which often include enclosed spaces packed with people—could prove tempting targets for terrorists.¶ How might terrorists attack ground transportation?¶ Experts say the most likely sort of attack on U.S. subways or buses would involve setting off conventional bombs; the materials and know-how are readily available. Nor do experts rule out the sort of suicide bombings that have targeted Israeli buses. Less likely but far more devastating scenarios involve the release of a chemical agent such as sarin gas or a biological agent such as anthrax or smallpox into a subway system. Terrorists could also derail a passenger train or blow up a bridge or tunnel, killing many people and crippling a city’s infrastructure for months or even years.¶ Have terrorists ever targeted ground transportation outside America?¶ Yes, often. The most recent include the March 2004 al-Qaeda bombing of rush hour trains in Madrid, killing 191 people, the July 2005 London tube bombings (three subways and one bus were bombed), which killed fifty-two people, and the July 2006 attacks on Mumbai's commuter rail that killed more than 200.¶ Terrorists abroad have used guns and conventional bombs to kill and injure civilians in subways, trains, and buses for decades. Palestinian suicide bombers have repeatedly blown up buses in Israel, and the Irish Republican Army (IRA) repeatedly attacked the London Underground and British passenger trains. In the mid-1990s, Algerian extremists from the Armed Islamic Group (GIA) set off bombs in the Paris subway. Closer to home, terrorists linked to al-Qaeda planned to detonate truck bombs in New York City’s commuter tunnels and bridges in 1993; other Islamist terrorists plotted suicide bombings in New York’s subways in 1997. The first attack on public transportation involving weapons of mass destruction occurred in 1995 when the Japanese doomsday cult Aum Shinrikyo released sarin gas into the Tokyo subway system, killing twelve people and sending more than 5,000 to the hospital.

### Terrorism Impacts

#### Terrorism threatens extinction

 Sid-Ahmed 2004, Political Analyst, 2K4 (Mohamed, �Extinction!� Al-Ahram Weekly On-Line, August 26 � September 1, [http://weekly.ahram.org.eg](http://weekly.ahram.org.eg/) /2004/705/op5.htm)

A nuclear attack by terrorists will be much more critical than Hiroshima and Nagazaki, even if -- and this is far from certain -- the weapons used are less harmful than those used then, Japan, at the time, with no knowledge of nuclear technology, had no choice but to capitulate. Today, the technology is a secret for nobody.¶ So far, except for the two bombs dropped on Japan, nuclear weapons have been used only to threaten. Now we are at a stage where they can be detonated. This completely changes the rules of the game. We have reached a point where anticipatory measures can determine the course of events. **Allegations of a terrorist connection can be used to justify anticipatory measures, including the invasion of a sovereign state like Iraq**. As it turned out, these allegations, as well as the allegation that Saddam was harbouring WMD, proved to be unfounded.¶ What would be the consequences of a nuclear attack by terrorists? Even if it fails, it would further exacerbate the negative features of the new and frightening world in which we are now living. Societies would close in on themselves, police measures would be stepped up at the expense of human rights, tensions between civilisations and religions would rise and ethnic conflicts would proliferate. It would also speed up the arms race and develop the awareness that a different type of world order is imperative if humankind is to survive.¶ But the still more critical scenario is if the attack succeeds .This could lead to a third world war, from which no one will emerge victorious. Unlike a conventional war which ends when one side triumphs over another, this war will be without winners and losers. **When** nuclear pollution infects the whole planet, we will all be losers.

#### Terrorism will lead to extinction.

Yonah Alexander 2003 Alexander, professor and director of the Inter-University for Terrorism Studies, August  28, 2003, Washington Post.

 The international community failed to understand the magnitude and implications of the terrorist threats to the very survival of civilization itself. Unlike their historical counterparts, contemporary terrorists have introduced a new scale of violence in terms of conventional and unconventional threats and impact. The internationalization and brutalization of current and future terrorism make it clear we have entered an Age of Super Terrorism with its serious implications concerning national, regional and global security concerns.

### Terrorists Infrastructure: Yes

#### Terrorists will target infrastructure

Robert McMahon, Editor, February 24, 2009 Transportation Infrastructure: Moving America, http://www.cfr.org/economic-development/transportation-infrastructure-moving-america/p18611

Introduction

Transportation experts view the call for dramatic federal government action in response to the economic crisis as an opportunity to overhaul the U.S. system of highways, bridges, railways, and mass transit. A series of sobering report cards from the American Society of Civil Engineers documents the inadequacy of this system. President Barack Obama took office pledging to act; his February 2009 stimulus package provides nearly $50 billion for transportation infrastructure. But many experts look beyond the stimulus and call for shifts in longer-term policy that will fundamentally alter the approach to planning and funding infrastructure and bolster U.S. competitiveness, quality of life, and security. In the past, the United States has revamped its transportation infrastructure to build canals, transcontinental railways, and a federal highway system, in each case helping usher in periods of economic growth.

A State of Disrepair

A January 2009 report by the American Society of Civil Engineers on infrastructure, much of it involving the transportation sector, concluded: "all signs point to an infrastructure that is poorly maintained, unable to meet current and future demands, and in some cases, unsafe." It found that aviation, transit, and roads, already rated abysmal four years ago, had declined even further. Lost time from road congestion, the report estimated, was costing the economy more than $78 billion dollars a year while nearly half of U.S. households still had no access to bus or rail transit.

At the same time, national spending on infrastructure is often depicted as a faulty, wasteful process. Annual federal spending on transportation infrastructure in recent years has averaged more than $60 billion, and billions have been spent since 9/11 on aviation security. The Congressional Research Service cites Transportation Department data showing that the number of structurally deficient bridges was cut nearly in half between 1990 and 2007 due to federal spending. But 2006 Federal Highway Administration statistics also showed that more than 70,000 bridges, about 12 percent of the total, were structurally deficient. Among them was the I-35W bridge in Minneapolis that collapsed in August 2007, a mishap that killed thirteen people and spawned new debate about the focus and level of U.S. infrastructure spending.

There is a further homeland security dimension, says CFR Senior Fellow Stephen E. Flynn. He refers to the current state of U.S. infrastructure as the "soft underbelly" of the nation's security. "This is a core vulnerability for U.S. society," Flynn told a January 2009 CFR meeting. "It's very costly, after things fall apart, to try to put them back together again. And so, as I would forecast more generally in the twenty-first century, infrastructure is going to be [an] appealing target" to terrorists. Former Homeland Security Secretary Michael Chertoff has also expressed concern about the federal government's failure to make long-term infrastructure investments to overcome degradation of roads, bridges, dams, and other such "common goods."

### Intercity rail, freight, air traffic

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Looking Forward

I believe a Bank is the right step in the evolution of federal infrastructure programs. We should implement one now, focusing it on a handful of national projects to begin – perhaps rapid intercity rail, upgrading of the Chicago freight rail nexus, and modernization of the air traffic control system. We can then gradually expand the Bank – in part by imposing and gradually lowering the threshold of federal involvement that requires the Bank’s approval until the major projects of the modal programs have all been moved to the Bank’s selection process.

## **Adv: Warming**

### Green Tech Add-on

#### NIB would improve green technology by allowing companies to overcome the cost barrier

DiPeso 11 (July 18th 2012, Jim Dipeso was one of the founding directors of and is currently the Policy & Communications Director for REP America, or Republicans for Environmental Protection. The daily green, a variation of good housekeeping “Infrastructure Bank: A Bipartisan Answer for Clean Energy?”

http://www.thedailygreen.com/environmental-news/blogs/republican/infrastructure-bank-2011-0715#ixzz20WniO4s)

What if it were possible for a legislative body to establish, by wide, bipartisan majorities in both of its houses, an infrastructure bank that would help overcome the first-cost barrier to investing in energy efficiency and renewable energy projects?¶ Nah, you say. These days, it might seem hard to get partisans in Congress to agree on a set of facts about where the sun rises.¶ Not talking about Congress just yet. I'm talking about Connecticut. The state's legislature this year approved by unanimous vote in the state Senate and a 139-8 vote in the state House a Clean Energy Finance and Investment Authority, which was fed with $48 million in startup capital. It's a first in the United States - a quasi-public state organization that can leverage private capital to make low-interest loans for efficiency and clean energy projects. For efficiency, loans will cover up to the full cost of an upgrade.¶ There is a lot of low-hanging energy efficiency fruit, such as energy-efficient light bulbs, which come in all flavors, including incandescent. Whoops, I promised the editor I wouldn't bring up the light bulb topic for the third week in a row. Some of the efficiency fruit, however, is high up in the tree. A residential upgrade, including insulation, sealing, and an efficient furnace, could run you $10,000 or so. You'd need a financial ladder to get that fruit. A low-interest loan could serve as that ladder ¶ Now, scale up the idea nationally. How could a clean energy investment authority be capitalized if Congress could summon the will to establish one?¶ One idea making the rounds is offering a tax break for U.S. corporations to repatriate profits they're holding overseas in order to avoid U.S. corporate income taxes. Here's the deal - no taxes on repatriated profits, in exchange for depositing repatriated profits with a national investment authority that would be in the business of making low-interest loans for infrastructure, including energy projects. It wouldn't be a gift to the feds, but a place to park money that could earn a return and avoid a big tax bite.¶ Another idea is legislation sponsored by two quite dissimilar senators - Texas Republican Kay Bailey Hutchison and Massachusetts Democrat John Kerry - that would capitalize an American Infrastructure Financing Authority with $10 billion to make loan guarantees and loans for up to 50 percent of the cost of energy, water, and transportation projects that are worth at least $100 million (except in rural areas, where the minimum would be $25 million).¶ Borrowers would need private funds to cover the other 50 percent. Projects would have to be regionally or nationally significant. In addition, the authority would charge fees and interest rate premiums in order to become self-sufficient.¶ As the debt limit talks make painfully clear, there is little political appetite for the feds to splash out big money on chunky projects, regardless of need. An investment authority or bank could be a way to get around budget politics and partisan squabbling in order to raise cash for infrastructure investments that cannot be forever postponed or avoided.

#### Green Technology is key to stop Global Warming

Olson 07 (2/15/2007 MPRRADIO “Can technology save us from global warming?”http://minnesota.publicradio.org/display/web/2007/02/14/global\_warming\_tech/)

Fifty years, Lehman says, to find new ideas and technology that will actually reduce carbon levels.¶ Until then, he says, we can apply what we already know - energy conserving technology for buildings, more fuel efficient vehicles, alternative energy including clean coal and, yes, nuclear power - used on a vast scale to stop the projected doubling of carbon dioxide emissions.¶ Lehman isn't alone in pinning his hopes on technology.¶ For 30 years physicist, energy consultant and author Amory Lovins has been preaching how we can not only wean ourselves from our reliance on the fossil fuels that create carbon dioxide, we can profit from the changeover.¶ Lovins' 4 steps include doubling our oil use efficiency, smarter use of natural gas, making lighter vehicles and a major domestic bio fuels program will put us on the path to fixing global warming and will make money for companies and investors at the same time.

#### Warming increases frequency and intensity of disease

Gitay et al 2 (Habiba, Australia National University, Avelino Suarez, Ministry of Science, Technology, and Environment, Robert T. Watson, The World Bank, IPCC, http://www.coastman.net.co/publicaciones/cc/(0065).pdf)JFS

Changes in climatic variables have led to increased frequency and intensity of outbreaks of pests and diseases accompanied by range shifts poleward or to higher altitudes of the pests/disease organisms. For example, spruce budworm outbreaks frequently follow droughts and/or dry summers in parts of their range. The pest-host dynamics can be affected by the drought increasing the stress of host trees and the number of spruce budworm eggs laid (e.g., the number of spruce budworm eggs laid at 25 degrees Celsius is up to 50% greater than the number laid at 30 degrees Celsius). Some outbreaks have persisted in the absence of late spring frosts killing new growth on trees, the budworm's food source. The distribution of vector-borne diseases (e.g., diarrhea) infectious diseases, thus the risk of human diseases, have been affected by changes in climatic factors. For example, in Sweden, tick-borne encephalitis incidence increased after milder winters and moved northward following the increased frequency of milder winters over the years 1980 to 1994.

#### Disease causes extinction

Yu 9 (Victoria, Dartmouth Undergraduate Journal of Science, 5-22, http://dujs.dartmouth.edu/spring-2009/human-extinction-the-uncertainty-of-our-fate, 6-23-11)

A pandemic will kill off all humans. In the past, humans have indeed fallen victim to viruses. Perhaps the best-known case was the bubonic plague that killed up to one third of the European population in the mid-14th century (7). While vaccines have been developed for the plague and some other infectious diseases, new viral strains are constantly emerging — a process that maintains the possibility of a pandemic-facilitated human extinction. Some surveyed students mentioned AIDS as a potential pandemic-causing virus. It is true that scientists have been unable thus far to find a sustainable cure for AIDS, mainly due to HIV’s rapid and constant evolution. Specifically, two factors account for the virus’s abnormally high mutation rate: 1. HIV’s use of reverse transcriptase, which does not have a proof-reading mechanism, and 2. the lack of an error-correction mechanism in HIV DNA polymerase (8). Luckily, though, there are certain characteristics of HIV that make it a poor candidate for a large-scale global infection: HIV can lie dormant in the human body for years without manifesting itself, and AIDS itself does not kill directly, but rather through the weakening of the immune system. However, for more easily transmitted viruses such as influenza, the evolution of new strains could prove far more consequential. The simultaneous occurrence of antigenic drift (point mutations that lead to new strains) and antigenic shift (the inter-species transfer of disease) in the influenza virus could produce a new version of influenza for which scientists may not immediately find a cure. Since influenza can spread quickly, this lag time could potentially lead to a “global influenza pandemic,” according to the Centers for Disease Control and Prevention (9). The most recent scare of this variety came in 1918 when bird flu managed to kill over 50 million people around the world in what is sometimes referred to as the Spanish flu pandemic. Perhaps even more frightening is the fact that only 25 mutations were required to convert the original viral strain — which could only infect birds — into a human-viable strain (10).

### Warming

#### Congestion makes up 20% of emissions

Matthew Barth AND Kanok Boriboonsomsin; Both at the College of Engineering - Center for Environmental Research and Technology UC Riverside 5-01-2010 “Real-World CO2 Impacts of Traffic Congestion” [http://www.uctc.net/papers/846.pdf NCHO](http://www.uctc.net/papers/846.pdf%20NCHO)

Transportation plays a significant role in carbon dioxide (CO2) emissions, accounting for approximately a third of the U.S. inventory. To reduce CO2 emissions in the future, transportation policy makers are planning on making vehicles more efficient and increasing the use of carbon-neutral alternative fuels. In addition, CO2 emissions can be lowered by improving traffic operations, specifically through the reduction of traffic congestion. Traffic congestion and its impact on CO2 emissions were examined by using detailed energy and emission models, and they were linked to real-world driving patterns and traffic conditions. With typical traffic conditions in Southern California as an example, it was found that CO2 emissions could be reduced by up to almost 20% through three different strategies: congestion mitigation strategies that reduce severe congestion, allowing traffic to flow at better speeds; speed management techniques that reduce excessively high free-flow speeds to more moderate conditions; and shock wave suppression techniques that eliminate the acceleration and deceleration events associated with the stop-and-go traffic that exists during congested conditions.

#### 12% reduction in C02

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Finally, a well-maintained and robust network of transportation infrastructure, which allows individuals to access multiple modes of transportation, results in significant efficiency benefits for Americans. One study found that in 2009, households at the national median level of income residing in “location efficient” neighborhoods with diverse transportation choices realized over $600 in transportation cost savings, compared to similar households living in less efficient areas.21 Further, well-maintained roads with adequate capacity, coupled with access to public transit and other driving alternatives, can lower traffic congestion and accident rates which not only saves Americans time and money but also saves lives. Congestion is not limited only to our nation’s roads but also to our rails. Freight rail systems can play a vital role in relieving road traffic and in moving goods in a more fuel efficient manner. One study estimated that on average, freight railroads are four times more fuel efficient than trucks.22 These benefits can also reduce dependence on foreign oil, improve energy efficiency, and reduce air pollution. For example, one study in the Los Angeles area found that traffic congestion has a significant effect on CO2 emissions, and that reducing stop-and-go traffic conditions could potentially reduce emissions by up to 12 percent.23 Another study estimates that America’s public transportation system reduces gasoline consumption by 4.2 billion gallons annually. 24

Increasing energy efficiency of transportation solves GHG emissions- inefficiency result in massive warming - the plan's congestion pricing solves

Greene and Schafer ‘3 (David L. Greene, Oak Ridge National Laboratory and Andreas Schafer, Massachusetts Institute of Technology, “Reducing Greenhouse Gas Emissions From U.S. Transportation”, <http://www.c2es.org/publications/report/reducing-greenhouse-gas-emissions-us-transportation>, May 2003, LEQ)

Significant reductions in greenhouse gas emissions from U.S. transportation can be achieved by increasing the energy efficiency of transportation equipment. This strategy requires only incremental changes to conventional technologies and fuels, and so preserves both the characteristics of modern conventional vehicles that consumers desire and the enormous investment in the infrastructure for producing, distributing, and retailing conventional petroleum fuels. However, increasing energy efficiency of the transportation system takes time, typically 15 years or more between efficiency gains in new equipment and comparable efficiency gains for the entire fleet of transportation vehicles (see Box 2, “Changing Transportation Energy Use Takes Time”). A. Passenger Cars and Light Trucks27 By 2015, the fuel economy of light-duty vehicles32 (passenger cars, vans, minivans, sport-utility vehicles, and pick-up trucks) can be increased by about one-fourth to one-third with existing technology at a cost less than the value of the fuel saved. By 2030, it is likely that fuel economy can be increased to significantly higher levels (50 percent to 100 percent), at possibly greater cost, depending on the progress of technology. Vehicle fuel efficiency can be increased by improving the energy efficiency of the drive train (engine and transmission) and by reducing the amount of energy necessary to move the vehicle (by reducing weight, aerodynamic drag, and rolling resistance). While the single largest contribution to improved fuel efficiency is expected to come from the drive train, the largest total increase in fuel economy can be achieved through a combination of these technologies, which allows a compounding of individual energy efficiency improvement potentials. Only rarely is the full power of a vehicle’s engine needed. For example, a typical passenger car requires less than 20 horsepower to cruise on a level highway, meaning that the typical model year 2000 passenger car has more than eight times the power it needs for cruising. Several technologies are now available that can improve engine efficiency when operating under “low load” conditions. An appropriate combination of these technologies could increase engine efficiency by up to 25 percent.33 Transmissions also offer a significant energy efficiency improvement potential of several percent.34 Reductions in aerodynamic drag of at least 10 percent (lowering fuel consumption by about 2 percent) are readily achievable, and the rolling resistance of tires can be lowered (leading to fuel consumption reductions of 1 to 1.5 percent) without compromising handling, comfort, or braking. There are also opportunities to reduce vehicle weight by greater use of advanced lightweight, high-strength steels, aluminum, and composite materials. For example, the steel industry has shown how the weight of the structural components of a typical passenger car can be reduced by about 25 percent (approximately 100 lbs.) with no loss of crashworthiness or performance.35 Vehicles made from aluminum can achieve a 40 percent reduction in the weight of structural components, with improved crashworthiness.36 Additional emerging vehicle technologies that could improve efficiency are the 42-volt electrical system, which permits electrification of many accessories that are now mechanically operated, and the integrated starter/alternator (ISA), which allows the engine to be shut down during idling or deceleration and restarted instantly when needed. Depending on the amount of battery storage, the ISA system can also permit a certain amount of regenerative braking, recapturing energy normally wasted in braking for later use. By combining such proven and near-term technologies (excluding weight reduction), a recent study of automotive fuel economy by the National Research Council (NRC) concluded, “Technologies exist that, if applied to passenger cars and light trucks, would significantly reduce fuel consumption within 15 years.”37 Based on their assessment, the NRC Committee found that passenger car fuel economy could most likely be increased by 12 (for subcompacts) to 27 percent (for large cars) and light truck fuel economy by 25 (small SUVs) to 42 percent (large SUVs), using technologies that would not change the size, weight, or performance of vehicles. While many of these technologies would increase the vehicle’s price, they could more than pay back their cost over the life of the vehicle.38 The NRC study, however, also cited reasons to believe that when choosing a car, the typical car buyer considers only the first three years of fuel savings, not the fuel savings over the life of the car. If this is so, it represents a significant market barrier to fuel economy improvements (see Box, “Markets and Fuel Economy”). Taking a longer look ahead, a team of researchers at MIT’s Energy Laboratory concluded that much greater increases in fuel economy could be achieved with new technologies likely to be ready for use by 2020. They found that by 2020 it should be possible to increase the fuel economy of passenger cars by 50 percent using evolved conventional technologies and to more than double miles per gallon using advanced technologies that could be developed and commercialized by 2020; the associated increase in retail price would amount to 5 percent and 20 percent, respectively.39 New technologies will expand the envelope of technical feasibility well beyond the limits of current technologies considered by the 2002 NRC study. Table 1 summarizes key characteristics of selected vehicles from the MIT study. The “evolved” 2020 gasoline vehicle represents what may be achievable through the continued improvement of conventional technologies, such as those considered in the 2002 NRC report. The advanced conventional vehicle adds more efficient lean-burn40 engine technology and substitution of lighter-weight materials without compromising crashworthiness. Several of the 2020 advanced vehicles include a compression-ignition diesel engine, where fuel is injected into highly compressed hot air and auto-ignites. While diesel engines introduced in passenger cars and light trucks in the United States in the 1980s did not compete well against gasoline engines, significant advances in diesel technology have been made over the past decade (see Box 4, “Diesel Vehicles: Promise and Problems”). In Europe, where fuel prices are about three times higher than in the United States, modern diesels comprise 40 percent of the new automobile market. The key questions they face in the United States are whether consumers will pay a price premium of $1,000 to $2,000 for a more powerful, more durable engine with 40 to 50 percent better fuel economy and whether even modern diesels can meet the more stringent levels of U.S. emissions standards. There are reasons to believe diesels will meet U.S. emission standards and will find success in certain markets. Two of the advanced vehicles considered by MIT are hybrids, in which the internal combustion engine is complemented by an electric motor. Various hybrid designs and operating strategies are possible, but generally a downsized internal combustion engine operates more of the time near its maximum efficiency point.41 The electric motor supplies peak power for acceleration and allows the internal combustion engine to be shut down instead of operating in inefficient regimes, such as idling or deceleration. High power-density batteries are added to permit energy captured during regenerative braking to be stored for use by the electric motor and to provide power supply for accessories when the engine is shut off. By making the most effective use of both power sources, the advanced hybrid design in combination with a continuously variable transmission can improve fuel economy by 40 to 50 percent. Already in 2002, three hybrid vehicles were commercially available: the Toyota Prius, Honda Insight, and the hybrid version of the Honda Civic. Over the next few years, more hybrids are expected to enter the U.S. market. Hybrids today have 30 to 40 percent higher fuel economy than comparable conventional vehicles but cost $3,000 to $4,000 more. Manufacturers are likely to find creative ways to use hybrid technology to add value for consumers, such as providing electrical outlets capable of running any household appliance or power tool, allowing the vehicle to be used as an emergency generator, or offering on-demand 4-wheel drive. These and other special features could make hybrids attractive to customers even at a price premium. With special value-added features and a wider availability of vehicle types, hybrids could become a major technology for raising fuel economy and reducing GHG emissions. The above-referenced and numerous other assessments of the technological potential to increase light-duty vehicle fuel economy indicate that fuel economy can probably be increased cost-effectively by 25 to 33 percent over the next 10 to 15 years using market-ready technologies.42 As used here, the term “cost-effective” is defined as the fuel economy level at which the last dollar spent to improve fuel economy produces exactly one dollar in present value, lifetime fuel savings. By 2030, fuel economy can be increased by 50 to 100 percent using advanced technologies that are likely to be available by that time. The higher range of increase, however, may increase the retail price of vehicles beyond what can be recovered by consumers over the life of the vehicle, if U.S. gasoline prices are approximately $1.50 per gallon or less. Clearly, predicting technological progress is uncertain. Advanced technologies may be available sooner or later than expected, and possibly never. The diesel engine is one example. Unless its emissions of nitrogen oxides and particulates can be reduced to meet current and future government standards, its proven fuel economy benefits will not be available to manufacturers. In addition, there may be market barriers to the use of advanced fuel economy technologies. If consumers do not fully value lifetime fuel savings, manufacturers will be understandably reluctant to make major engineering and design changes to raise fuel economy. And if market trends continue to favor ever heavier and more powerful vehicles, technologies that could be used to increase fuel economy will instead be needed just to hold it constant. IV. System Efficiency Transportation greenhouse gas emissions could be reduced by several percent via various behavioral changes that can be implemented quickly but require determined and sustained effort. Achieving such impacts would require more comprehensive and effective efforts than have been seen to date in the United States. Even if the technology of transportation equipment were fixed and alternative fuels were not available, it would still be possible to reduce GHG emissions without loss of accessibility using the following approaches: (1) taking more direct routes from origins to destinations, (2) increasing vehicle occupancy rates, (3) shifting traffic from modes with high emission rates to modes with low emission rates, and (4) improving the in-use efficiency of vehicles through better maintenance and driving behavior. In addition, Chapter 5 will discuss restructuring the built environment to maintain accessibility with less vehicle travel through more efficient land use and urban design. Governments play a major role in the efficiency of the transportation system through the investments they make in infrastructure and operations, particularly for highways, transit systems and airports. In the year 2000, governments at all levels in the United States spent $130 billion dollars providing and maintaining highways for public use.94 Nearly all of the money is spent by state and local governments, but $33 billion is collected by the federal government and distributed mostly to states. Highway user fees of all kinds amounted to $99 billion in 2000, but more than $20 billion of those fees was spent on nonhighway purposes, with $8 billion going to mass transportation. Other major sources of funds for highways are general fund appropriations by state and local governments, property taxes, and other taxes and fees, mostly collected by local governments. Governments spent $21 billion on airports in 2000, slightly less than the amount collected from users of air transport.95 The Airport and Airway Trust Fund is the single largest revenue source, with $10.5 billion in 2000. Governments spent $32 billion on transit systems in 2000, $8 billion on water transport systems, and less than $1 billion on all rail projects.

And the plan creates a signal of US green leadership - leads to a global climate agreement

Burwell 10 (David, Director of the Energy and Climate Program @ Carnegie Endowment for International Peace, " Transportation—The Leading Cause of Global Warming," April 15, http://carnegieendowment.org/2010/04/15/transportation-leading-cause-of-global-warming/2fr2, LEQ)

Road transportation is the greatest contributor to global warming for the next 50 years according to a recent study by NASA’s Goddard Institute for Space Studies. By analyzing the climate impact of each sector of the economy, the study determined that motor vehicles emit significant levels of pollutants that warm the atmosphere with few counteracting pollutants that create a cooling effect. In a video Q&A, David Burwell suggests steps U.S. policy makers can take to reduce emissions, promote green growth, and mitigate transportation’s harmful effects on climate. “We have to look at how much we drive and take actions to reduce the total demand for transportation—particularly driving,” says Burwell. By moving forward with a transportation bill that invests in a green transportation system, “the United States could show other countries—particularly China, India, and other emerging economies—that it is serious about reducing its transportation carbon and this would contribute to the likelihood of a global climate agreement.”

The science is settled - warming is real, anthropogenic, and threatens extinction - be highly skeptical of negative evidence

Costello et al 11(Anthony, Professor and Co-Director of the Institute for Global Health @ University College London, Mark Malsin, Professor in the Department of Geography @ UCL, Director of the UCL Institute for Human Health and Performance, Anne Johnson, Professor of Infectious Disease Epidemiology @ UCL, Paul Ekins, PhD in Economics from University of London and Professor of Energy and Environmental Policy @ UCL Energy Institute, "Global health and climate change: moving from denial and catastrophic fatalism to positive action," May, http://rsta.royalsocietypublishing.org/content/369/1942/1866.full)

Advocacy about the health consequences will ensure that climate change is a high priority. The United Nations Convention on Climate Change was set up in 1992 to ensure that nations worked together to minimize the adverse effects, but McMichael and Neira noted that, in preparation for the Copenhagen conference in December 2009, only four of 47 nations mentioned human health as a consideration [1]. With business as usual, global warming caused by rising greenhouse gas (GHG) emissions will threaten mass populations through increased transmission of some infections, heat stress, food and water insecurity, increased deaths from more frequent and extreme climate events, threats to shelter and security, and through population migration [2]. On the one hand it is necessary in the media to counter climate change sceptics and denialists, but on the other it is also important not to allow climate catastrophists, who tell us it is all too late, to deflect us from pragmatic and positive action. Catastrophic scenarios are possible in the longer term, and effective action will be formidably difficult, but evidence suggests that we do have the tools, the time and the resources to bring about the changes needed for climate stability. Previous Section Next Section 2. Climate change evidence and denial Given the current body of evidence, it is surprising that global warming and its causal relationship with atmospheric GHG pollution is disputed any more than the relationship between acquired immune deficiency syndrome (AIDS) and human immunodeficiency virus (HIV) infection, or lung cancer and cigarette smoking. The basic principles that determine the Earth’s temperature are, of course, relatively simple. Some of the short-wave solar radiation that strikes the Earth is reflected back into space and some is absorbed by the land and emitted as long-wave radiation (heat). Some of the long-wave radiation is trapped in the atmosphere by ‘greenhouse gases’, which include water vapour, carbon dioxide and methane. Without GHGs the Earth would be on average 33°C colder. Over the last 150 years, since the Industrial Revolution, humans have been adding more carbon dioxide and methane into the atmosphere. The result is that the Earth’s atmosphere, ocean and land are indeed warming—due to increased atmospheric ‘greenhouse gas’ concentrations [3]. Gleick et al. [4], from the US National Academy of Sciences, wrote a letter to Science stating ‘There is compelling, comprehensive, and consistent objective evidence that humans are changing the climate in ways that threaten our societies and the ecosystems on which we depend’. The most recent report by the Intergovernmental Panel on Climate Change (IPCC) [5], amounting to nearly 3000 pages of detailed review and analysis of published research, also declares that the scientific uncertainties of global warming are essentially resolved. This report states that there is clear evidence for a 0.75°C rise in global temperatures and 22 cm rise in sea level during the twentieth century. The IPCC synthesis also predicts that global temperatures could rise further by between 1.1°C and 6.4°C by 2100, and sea level could rise by between 28 and 79 cm, or more if the melting of Greenland and Antarctica accelerates. In addition, weather patterns will become less predictable and the occurrence of extreme climate events, such as storms, floods, heat waves and droughts, will increase. There is also strong evidence for ocean acidification driven by more carbon dioxide dissolving in the oceans [6]. Given the current failure of international negotiations to address carbon emission reductions, and that atmospheric warming lags behind rises in CO2 concentration, there is concern that global surface temperature will rise above the supposedly ‘safe limit’ of 2°C within this century. Each doubling of atmospheric carbon dioxide concentration alone is expected to produce 1.9–4.5°C of warming at equilibrium [7]. Of course, climate modelling is an extremely complex process, and uncertainty with projections relating to future emissions trajectories means that the time scale and magnitude of future climate change cannot be predicted with certainty [8]. These uncertainties are magnified when future climate predictions are used to estimate potential impacts. For example, the environmental impacts of climate change are also uncertain, but could underestimate such impacts because they detrimentally interact with habitat loss, pollution and loss of biodiversity due to other causes. There is also the additional problem that switching from biome to biome may not be directly reversible. For example, rainforest recycles a huge amount of water so it can survive a significant amount of aridification before it burns and is replaced by savannah. But the region then has to get much wetter before rainforest can return, as there is greatly reduced water cycling in savannah [9]. In the policy arena, further uncertainty surrounds the desire for international agreements on emission cuts, and the possible routes to such agreement and implementation. The feasible speed of technological innovation in carbon capture and provision of renewable/low-carbon energy resources is also uncertain. Denying the causes or the current weight of evidence for anthropogenic climate change is irrational, just as the existence of ‘uncertainties’ should not be used to deny the need for proportionate action, when such uncertainties could underestimate the risks and impact of climate change. There is no reason for inaction and there are many ways we can use our current knowledge of climate change to improve health provision for current and future generations. Previous Section Next Section 3. Catastrophism At the other end of the scale are doom-mongers who predict catastrophic population collapse and the end of civilization. In the early nineteenth century, the French palaeontologist Georges Cuvier first addressed catastrophism and explained patterns of extinction observed in the fossil record through catastrophic natural events [10]. We know now of five major extinctions: the Ordovician–Silurian extinction (439 million years ago), the Late Devonian extinction (about 364 million years ago), the Permian–Triassic extinction (about 251 million years ago), the End Triassic extinction (roughly 199 million to 214 million years ago) and the Cretaceous–Tertiary extinction (about 65 million years ago). These mass extinctions were caused by a combination of plate tectonics, supervolcanism and asteroid impacts. The understanding of the mass extinctions led Gould & Eldredge [11] to update Darwin’s theory of evolution with their own theory of punctuated equilibrium. Many scientists have suggested that the current human-induced extinction rates could be as fast as those during these mass extinctions [12,13]. For example, one study predicted that 58 per cent of species may be committed to extinction by 2050 due to climate change alone [14], though this paper has been criticized [15,16]. Some people have even suggested that human extinction may not be a remote risk [17–19]. Sherwood & Huber [7] point to continued heating effects that could make the world largely uninhabitable by humans and mammals within 300 years. Peak heat stress, quantified by the wet-bulb temperature (used because it reflects both the ambient temperature and relative humidity of the site), is surprisingly similar across diverse climates and never exceeds 31°C. They suggest that if it rose to 35°C, which never happens now but would at a warming of 7°C, hyperthermia in humans and other mammals would occur as dissipation of metabolic heat becomes impossible, therefore making many environments uninhabitable.

A consensus of scientists concludes warming is undeniably real and anthropogenic - the impact is extinction

Flournoy 12| PhD and MA from the University of Texas, Former Dean of the University College @ Ohio University, Former Associate Dean @ State University of New York and Case Institute of Technology, Project Manager for University/Industry Experiments for the NASA ACTS Satellite, Currently Professor of Telecommunications @ Scripps College of Communications @ Ohio University (Don, "Solar Power Satellites," January, Springer Briefs in Space Development, Book)

In the Online Journal of Space Communication , Dr. Feng Hsu, a NASA scientist at Goddard Space Flight Center, a research center in the forefront of science of space and Earth, writes, “The evidence of global warming is alarming,” noting the potential for a catastrophic planetary climate change is real and troubling (Hsu 2010 ) . Hsu and his NASA colleagues were engaged in monitoring and analyzing climate changes on a global scale, through which they received first-hand scientific information and data relating to global warming issues, including the dynamics of polar ice cap melting. After discussing this research with colleagues who were world experts on the subject, he wrote: I now have no doubt global temperatures are rising, and that global warming is a serious problem confronting all of humanity. No matter whether these trends are due to human interference or to the cosmic cycling of our solar system, there are two basic facts that are crystal clear: (a) there is overwhelming scientific evidence showing positive correlations between the level of CO2 concentrations in Earth’s atmosphere with respect to the historical fluctuations of global temperature changes; and (b) the overwhelming majority of the world’s scientific community is in agreement about the risks of a potential catastrophic global climate change. That is, if we humans continue to ignore this problem and do nothing, if we continue dumping huge quantities of greenhouse gases into Earth’s biosphere, humanity will be at dire risk (Hsu 2010 ) . As a technology risk assessment expert, Hsu says he can show with some confidence that the planet will face more risk doing nothing to curb its fossil-based energy addictions than it will in making a fundamental shift in its energy supply. “This,” he writes, “is because the risks of a catastrophic anthropogenic climate change can be potentially the extinction of human species, a risk that is simply too high for us to take any chances” (Hsu 2010 ) . It was this NASA scientist’s conclusion that humankind must now embark on the next era of “sustainable energy consumption and re-supply, the most obvious source of which is the mighty energy resource of our Sun” (Hsu 2010 ) (Fig . 2.1 ).

[It's](http://thinkprogress.org/romm/2009/10/08/204710/it-is-not-too-damn-late-part-1-the-science/?mobile=nc) not too late to solve the worst of warming

Romm 9 | Fellow @ American Progress(Joe, Fellow @ American Progress, " Is it just too damn late? Part 1, the Science," Oct 8, http://thinkprogress.org/romm/2009/10/08/204710/it-is-not-too-damn-late-part-1-the-science/?mobile=nc)

It’s not too late to avert the worst impacts of human-caused global warming. In fact, it’s not too late to stabilize total warming from preindustrial levels at 1.5°C — or possibly less. But the U.S. must pass a comprehensive climate and clean energy bill, leading to a major global deal, to give us a plausible chance of getting on the necessary emissions pathway. From a scientific perspective, a major new study (subs. req’d, discussed below) is cause for some genuine non-pessimism, concluding “Near-zero CH4 growth in the Arctic during 2008 suggests we have not yet activated strong climate feedbacks from permafrost and CH4 hydrates.” The media and others want to move quickly from denial to despair, because both perspectives justify inaction, justify maintaining our grotesquely unsustainable behavior, justify sticking with the global Ponzi scheme in the immoral delusion we can maintain our own personal wealth and well-being for a few more decades before the day of reckoning. I have, however, received a number of queries from progressives about the meaning of this somewhat misleading Washington Post article, “New Analysis Brings Dire Forecast Of 6.3-Degree Temperature Increase,” which begins: Climate researchers now predict the planet will warm by 6.3 degrees Fahrenheit by the end of the century even if the world’s leaders fulfill their most ambitious climate pledges, a much faster and broader scale of change than forecast just two years ago, according to a report released Thursday by the United Nations Environment Program…. Robert Corell, who chairs the Climate Action Initiative and reviewed the UNEP report’s scientific findings, said the significant global temperature rise is likely to occur even if industrialized and developed countries enact every climate policy they have proposed at this point. The increase is nearly double what scientists and world policymakers have identified as the upper limit of warming the world can afford in order to avert catastrophic climate change. I don’t think the basic story should be a surprise to regular readers of this blog. We’re in big, big trouble, and we’re not yet politically prepared to do what is necessary to avert catastrophe — as I’ve said many times. But that is quite different from concluding it’s too late and we’re doomed. The WashPost story is about the Climate Rapid Overview and Decision-support Simulator — the C-ROADS model. It “translates complex climate modeling into readily digestible predictions” and “is being adopted by negotiators to assess their national greenhouse-gas commitments ahead of December’s climate summit in Copenhagen,” as explained in a recent Nature article (subs. req’d, excerpted here). As one of the leading C-ROADS modelers — my friend Drew Jones — explained in his blog, the Post headline could have easily been: “New Analysis Shows Growing Commitment to a Global Deal Will Help Stabilize Climate.” The first thing to remember is that the major developed countries, including China or India, haven’t agreed to cap their emissions, let alone to ultimately reduce them. Until that happens, no model of global commitments is going to keep us anywhere near 2°C (3.6F). Second, people forget that the 1987 Montr©al protocol would not have stopped the atmospheric concentration of ozone-destroying chemicals from rising forever. And yet we appear to have acted in time to save the ozone layer. Third, people also seem to forget that the United States government led by President Bush’s father, and including the entire Senate, agreed that we would tackle global warming the same way — with the rich countries going first. I have no doubt that China will ultimately agree to a cap (see “Peaking Duck: Beijing’s Growing Appetite for Climate Action“). Indeed, if a shrinking economy-wide cap on GHGs similar to the House bill or draft Senate bill ends up on Obama’s desk in the next few months, then the international community will almost certainly agree on a global deal, which will include China sharply reducing its business-as-usual growth path. Then in the next deal in a few years, China will, I expect, agree to a cap no later than 2025. But I’m getting ahead of myself. This is an important issue that I will treat in a multipart series. People seem to view this question of “Is it too late?” as if it were primarily a scientific issue, but that is because they have internalized their preconceptions about what is politically possible in terms of clean energy deployment in this country and around the world. There is no evidence scientifically that it is too late to stabilize at 350 ppm atmospheric concentrations of carbon dioxide, at 1.5°C total planetary warming from preindustrial levels. Nor is there any scientific evidence that we can’t afford to overshoot 350 ppm — as we already have — for a period of many decades.

The impact is extinction

Lendman 7 | Research Analyst @ Global Research, Winner of the Mexican Press Club's International Award for Journalism (Stephen, " Resource Wars - Can We Survive Them?" June 6th, http://www.globalresearch.ca/index.php?context=va&aid=5892)

With the world's energy supplies finite, the US heavily dependent on imports, and "peak oil" near or approaching, "security" for America means assuring a sustainable supply of what we can't do without. It includes waging wars to get it, protect it, and defend the maritime trade routes over which it travels. That means energy's partnered with predatory New World Order globalization, militarism, wars, ecological recklessness, and now an extremist US administration willing to risk Armageddon for world dominance. Central to its plan is first controlling essential resources everywhere, at any cost, starting with oil and where most of it is located in the Middle East and Central Asia. The New "Great Game" and Perils From It The new "Great Game's" begun, but this time the stakes are greater than ever as explained above. The old one lasted nearly 100 years pitting the British empire against Tsarist Russia when the issue wasn't oil. This time, it's the US with help from Israel, Britain, the West, and satellite states like Japan, South Korea and Taiwan challenging Russia and China with today's weapons and technology on both sides making earlier ones look like toys. At stake is more than oil. It's planet earth with survival of all life on it issue number one twice over. Resources and wars for them means militarism is increasing, peace declining, and the planet's ability to sustain life front and center, if anyone's paying attention. They'd better be because beyond the point of no return, there's no second chance the way Einstein explained after the atom was split. His famous quote on future wars was : "I know not with what weapons World War III will be fought, but World War IV will be fought with sticks and stones." Under a worst case scenario, it's more dire than that. There may be nothing left but resilient beetles and bacteria in the wake of a nuclear holocaust meaning even a new stone age is way in the future, if at all. The threat is real and once nearly happened during the Cuban Missile Crisis in October, 1962. We later learned a miracle saved us at the 40th anniversary October, 2002 summit meeting in Havana attended by the US and Russia along with host country Cuba. For the first time, we were told how close we came to nuclear Armageddon. Devastation was avoided only because Soviet submarine captain Vasily Arkhipov countermanded his order to fire nuclear-tipped torpedos when Russian submarines were attacked by US destroyers near Kennedy's "quarantine" line. Had he done it, only our imagination can speculate what might have followed and whether planet earth, or at least a big part of it, would have survived.

## Adv: Oil

#### **Smart infrastructure is key to reducing energy dependence – the impact is military and economic leadership**

Energy Security Leadership Council 2011 “Transportation Policies for America’s Future Strengthening Energy Security and Promoting Economic Growth” February 2011, General P.X. Kelley, USMC (Ret.) 28th commandant, u.s. marine corps, Frederick W. Smith, chairman, president & ceo, fedex corporation.

Hostile state actors, insurgents, and terrorists have made clear their intention to use oil as a strategic weapon against the United States. Steadily rising global oil prices add to the danger by exacerbating tensions among consuming and producing nations. Even in the absence of fullblown geopolitical crises, oil dependence, with its incumbent exporting of American wealth, exacts a tremendous financial toll on our country. Excessive reliance on oil also constrains the totality of U.S. foreign policy and burdens a U.S. military that stands constantly ready as the protector of last resort for the vital arteries of the global oil economy. The Energy Security Leadership Council believes that America’s energy security can be fundamentally improved through major reductions in oil demand. More stringent fuel efficiency standards and the rapid expansion in the use of alternative fuels are just two critical components of an overall strategy. The third is our surface transportation infrastructure itself. Our transportation network exists almost in a vacuum, with virtually no connection between how it is designed, how it is funded, and how American families and businesses use it every day. The result is an inefficient system in which system needs are out of alignment with investment, cost is out of alignment with usage, and congestion is threatening to undermine the potential gains associated with recent improvements in vehicle technology and fuel diversification. We require a system based more closely on a true supply and demand model, in which assets are allocated based on needs, and costs are aligned with use, helping to restore the mobility upon which our dynamic economy depends.

#### Oil shocks empirically collapse growth—Kill consumption and spike inflation

Roubini and Setser 2004

(Nouriel Roubini, Professor of Business, Brad Setser, Research Associate, Global Economic Governance Programme, University College, Oxford, August 2004, online)

Oil prices shocks have a stagflationary effect on the macroeconomy of an oil importing country: they slow down the rate of growth (and may even reduce the level of output – i.e. cause a recession) and they lead to an increase in the price level and potentially an increase in the inflation rate. An oil price hike acts like a tax on consumption and, for a net oil importer like the United States, the benefits of the tax go to major oil producers rather than the U.S. government. The impact on growth and prices of an oil shock depends on many factors: - The size of the shock, both in terms of the new real price of oil and the percentage increase in oil prices. At its close of $43 a barrel on July 30, 2004, the current real price of oil is high – well above the levels during the 1990 and 2000 oil minishocks, but it remains well below the peak real oil price of $82 in 1980, and equal to the post 73 real price of $43. The recent 65% increase in oil prices (since the 2002 average price) 3 is comparable to the increase in 2000 (60%, but from a very low starting point, as oil prices had fallen to a low of around $15 in 1999), higher than the increase in 1990 (40%), but much smaller than the increases in 1973 (210%) and 1979-80 (135%). - The shock’s persistence. This will depend on many things, many as much political as economic, since the current high oil price reflects both booming Asian demand (China alone is expected to account for roughly 40% of the increase in demand for oil in 2004) and geopolitical risk in the Middle East (the “fear premium” estimated to add between $4 and $8 to current prices). - The dependency of the economy on oil and energy. The U.S. economy is much less energy intensive than it was in the 1970s, but it also much bigger and produces comparatively less domestic oil. Net oil imports of 1.2% of GDP in 2003 are higher than net oil imports of 0.9% of GDP in 1970. - The policy response of monetary and fiscal authorities These effects are not trivial: oil shocks have caused and/or contributed to each one of the US and global recessions of the last thirty years. Yet while recent recessions have all been linked to an increase in the price of oil, not all oil price spikes lead to a recession. The 2003 spike associated with the invasion of Iraq is a good example.

### Ext:

#### An IB would ensure energy independence projects are funded.

McConaghy and Kessler 2011

Ryan, Policy Director at Whitehouse and Jim, professor Harvard University Kennedy School of Government, A National Infrastructure Bank, Third Way, January 2011, http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf

America’s infrastructure policy has been signi!cantly 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 bene!t, transportation based energy independence, improved health and safety, ef!ciency, and return on investment

#### **An infrastructure bank is key to greentek**

Joyce Miller, partner with Kaminski Partners LLC, a newly formed merchant bank and advisory, where she is Managing Director for Infrastructure and Energy. “The Sad Story Of The National Infrastructure Bank” December 01, 2011, http://www.sallan.org/Snapshot/2011/12/the\_sad\_story\_of\_the\_national\_infrastructure\_bank\_1.php

The infrastructure bank's ability to provide a long-term source of capital at a lower interest rate than commercial loans, reducing the average cost of capital for the projects and the amount of their periodic debt service payments thereby increases their feasibility. The revenue streams from infrastructure projects, which are used to cover debt service and operating costs, are usually derived from user fees such as tolls, fares and charges for use and these must be kept affordable. Infrastructure projects generally cannot support a high cost of capital because they cannot generate sufficient revenues to cover high debt service payments and still be affordable to users. The bank would be an innovative way to incentivize private investment in new infrastructure projects, especially for new alternative energy and energy efficiency projects. It would blast away the sector silos created by existing legislation and agency priorities, which erect major barriers to creative alternative energy infrastructure projects because they force projects into narrowly defined sectors such as energy, water, transportation and agriculture. In turn, this would facilitate cross-sector projects - for example conversion of municipal solid waste into biodiesel fuel which could reduce reliance on fossil fuel for transportation or generating electricity, or the use of agricultural water reservoirs to generate power for local use by covering them with microfiber covers embedded with photovoltaic cells (PV) which could generate solar power as well as conserve water by reducing evaporation. Covering reservoirs with PV generators would also cut the distance over which power is transmitted, increasing available power, and reduce costs and demand on the grid.

#### More efficient transportation sector will save 1.9 billion gallons of fuel

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

A more efficient transportation infrastructure system will reduce our dependence on oil, saving families time and money. Traffic congestion on our roads results in 1.9 billion gallons of gas wasted per year, and costs drivers over $100 billion in wasted fuel and lost time. More efficient air traffic control systems would save three billion gallons of jet fuel a year, translating into lower costs for consumers. Finally, new research indicates that Americans who were able to live in “location efficient” housing were able to save $200 per month in lower costs, including paying less at the pump, over the past decade.

## Adv: Inland Waterways

#### Vital inland waterways infrastructure is starting to fail—timely investments are key to prevent industry destruction

David V. Grier, July 21, 2004 “The Declining Reliability of the U.S. Inland Waterway System” http://onlinepubs.trb.org/onlinepubs/archive/Conferences/MTS/4A%20GrierPaper.pdf

Aging Inland Waterways Infrastructure But this system is showing its age. The average age of the 192 commercially active locks in the U.S. now exceeds 50 years old. Many of the locks and dams in operation today were constructed during the 1930s, including most of the locks on such major systems as the Upper Mississippi, Illinois, and Tennessee Rivers. Even many “second generation” higher-lift locks and dams on the Ohio River were built largely in the 1950s and are now around 50 years of age themselves. An aging inland waterways infrastructure is not necessarily a concern as long as timely investments are made in maintenance and major rehabilitations, with some capacity and modernization improvements where needed. Just as we faithfully preserve and maintain aging iconic bridges, like the Brooklyn and the Golden Gate, with proper care and attention we can maintain our inland waterways infrastructure for decades to come. However, in constant dollar terms, operations and maintenance funding for the Corps’ civil works infrastructure has been largely flat or declining for decades, even as facilities have suffered the wear and tear of many years of constant use, and as requirements for other activities, such as environmental mitigation, have increased (see Figure 3).4 Long established programs for advance maintenance of principal lock components have essentially given way to a fix-as-fail policy, and even then the fix may take weeks or months to complete. Depending on the nature of the lock malfunction, this protracted repair time can have major consequences for barge traffic that depends on the facility, and for shippers and manufacturers depending on timely delivery of their cargo.

#### Inland waterways infrastructure is vital to the US economy and competitiveness—without systematic modernization, it is bound to collapse domestic and foreign trade

National Association of Manufacturers 5/20/10 “20-Year Capital Plan for Nation’s

Inland Waterways: Manufacturers Rely on the Waterways for Competitiveness” http://www.nam.org/~/media/CAABA07F1B4746BAA7DA1C3EBAE1E3F7/Manufacturers\_Rely\_on\_the\_Waterways\_for\_Competitiveness.pdf

Manufacturers Rely on the Waterways for Competitiveness The U.S. inland navigation system—nearly 12,000 miles of commercially navigable inland and coastal waterways—plays a vital role in moving the nation’s freight. More than 60 percent of U.S. grain exports begin their journey on the inland waterways, and more than 30 percent of the oil and petroleum products used by industry moves by barge. According to the U.S. Army Corps of Engineers, the inland waterways move over 50 percent of the nation’s grain and oilseed, approximately 20 percent of the coal for utility plants and 22 percent of domestic petroleum products. However, the waterways infrastructure, which handles shipments to and from 38 states each year, is aging with no real plan in place for systematic modernization. More than half of our nation’s 240 operational lock chambers owned and operated by the Army Corps of Engineers now exceed their 50-year design lifespan. Competitiveness Under Threat The nation’s manufacturers are able to ship goods efficiently throughout the United States and export overseas to support our nation’s competitiveness because we have a diversified transportation network that offers a range of options by land, water and air. The transportation cost savings attributable to the efficiency of the inland waterways is estimated to exceed $7 billion annually compared to the cost of shipping this tonnage by other means. Increasing planned and unplanned closures at the aging locks either due to mechanical failure or regularly scheduled maintenance on the inland navigation system create costly delays and threaten to erode these efficiencies. The National Association of Manufacturers (NAM) and other groups opposed a proposal by the Bush Administration to phase out the inland waterway barge fuel tax and replace it with a lock fee similar to a toll. The Obama Administration presented similar lock fee proposals in a recent budget submission to Congress. The NAM appreciates Congress rejecting these lock fee proposals due to concerns that a new fee will lessen the competitiveness of the waterway option and disproportionately affect major industrial and agricultural waterway shippers who rely on the Upper Mississippi, Ohio, Illinois and other river systems.

#### Economic decline, specifically in the area of trade decline, causes war – studies prove

Royal 10 (Jedediah, Director of Cooperative Threat Reduction at the U.S. Department of Defense, 2010, Economic Integration, Economic Signaling and the Problem of Economic Crises, in 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 stales. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level. Pollins (20081 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. 19SJ) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fcaron. 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 arc 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 declines, 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. Mom berg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write. The linkage, between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict lends 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 (Hlomhen? & Hess. 2(102. p. X9> Economic decline has also been linked with an increase in the likelihood of terrorism (Blombcrg. Hess. & Wee ra pan a, 2004). which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. "Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DcRoucn (1995), and Blombcrg. Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force arc at least indirecti) correlated. Gelpi (1997). Miller (1999). and Kisangani and Pickering (2009) suggest that Ihe tendency towards diversionary tactics arc 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 lo an increase in the use of force. In summary, rcccni 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 al 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.

#### A National Infrastructure Bank can uniquely solve

National Association of Manufacturers 5/20/10 “20-Year Capital Plan for Nation’s

Inland Waterways: Manufacturers Rely on the Waterways for Competitiveness” http://www.nam.org/~/media/CAABA07F1B4746BAA7DA1C3EBAE1E3F7/Manufacturers\_Rely\_on\_the\_Waterways\_for\_Competitiveness.pdf

The waterways operators pay a 20-cent-per-gallon diesel fuel tax, and current tax revenues plus interest collect $85–$90 million per year for the Inland Waterway Trust Fund. Lock and dam projects are supported 50 percent from the fuel tax and 50 percent from the general fund. Current and projected trust fund balances cannot support annual investment requirements. Only six projects will be finished if we maintain the status quo. The revenue stream supported by the barge and towing industry is a significant contribution, and a 20-year plan is an important The U.S. inland navigation system—nearly 12,000 miles of commercially navigable inland and coastal waterways—plays a vital role in moving the nation’s freight. More than 60 percent of U.S. grain exports begin their journey on the inland waterways, and more than 30 percent of the oil and petroleum products used by industry moves by barge. According to the U.S. Army Corps of Engineers, the inland waterways move over 50 percent of the nation’s grain and oilseed, approximately 20 percent of the coal for utility plants and 22 percent of domestic petroleum products. However, the waterways infrastructure, which handles shipments to and from 38 states each year, is aging with no real plan in place for systematic modernization. More than half of our nation’s 240 operational lock chambers owned and operated by the Army Corps of Engineers now exceed their 50-year design lifespan. Step to help end the unproductive cycle of project underfunding, cost escalations and delays. We hope the creative and collaborative thinking will expand beyond the proposed plan so that other opportunities can be discussed and considered. The proposed National Infrastructure Bank may provide an additional mechanism for funding key components of this system. The inland waterway operators appreciate the unique public private nature of the nation’s inland waterway system and believe that a strengthened partnership with the Army Corps of Engineers that is focused on improved project delivery, increased efficiency and transparency will better focus these critical federal investments.

### NIB Key/AT CP

#### Inland waterway management agencies lack a coherent, non-conflicting national vision —a NIB would employ a unique goal-oriented decision-making process that is key to solve

Harry Moroz February 26, 2008 “The Age of Infrastructure”http://www.ourfuture.org/blog-entry/age-infrastructure Harry Moroz graduated from the University of Chicago in 2006 with a B.A. in Law, Letters and Society. At Chicago, he wrote his honors thesis on alternative voting systems, focusing on the impact that the cumulative vote had on the political behavior of Illinois state representatives and their constituents. While a student, he studied at the University of Seville where he researched the socioeconomic factors that influenced the development of democracy in Spain and wrote for a local paper. Harry studied Latin American media and immigration issues during a Koch fellowship in Washington D.C. and interned at the office of Senator Joseph Biden. In 2006, he participated in a colloquium in Guatemala that addressed the effects of economic liberalization on Latin America. Harry is currently a research associate at the Drum Major Institute for Public Policy.

Despite the ASCE’s empirical evidence and our intuitive sense (when was the last time you sat bumper-to-bumper with an SUV or stood jowl-to-jowl with someone in the subway) that infrastructure is aging and inadequate, no large-scale effort has been undertaken to confront the problem in a comprehensive and purposeful manner. Even after a bridge collapsed in Minnesota , a steam pipe burst in New York City, and levees broke in New Orleans, attempts to mend our bridges, highways, and waterways still stall because of bureaucratic strife and ineffective funding. What often hinders large-scale infrastructure projects is not the knowledge that such projects are necessary or the lack of technical skill to carry them out. Rather, when politicians and government agencies tackle endeavors of such proportions, priorities clash, funding streams are challenged, and reputations are put on the line (For an international example, see Chile’s Transantiago bus service. Transantiago was designed to be self-financing, but is now expected to cost $40 million a month.). This means that massive construction plans become as much about individual personalities and personal ambition as about concrete, steel girders, and getting a car across the Hudson River. As Robert Puentes of the Brookings Institution remarked at a congressional hearing on ground transportation, “The sad fact is that now that the Interstate Highway System is completed there is no coherent national vision for addressing a complex and conflicting set of transportation challenges. As a result, America’s transportation policy is adrift with no clear goals, purpose, or ability to meet these challenges.” A unique solution to the bureaucratic and financial problems that often beset large-scale infrastructure projects has been proposed by Senators Chris Dodd and Chuck Hagel. On the morning of the Minnesota bridge collapse, as New York Times columnist Bob Herbert pointed out, the senators announced their sponsorship of legislation to create a National Infrastructure Bank. The Bank would issue bonds to raise funds for infrastructure projects that would be selected based on a strict set of criteria. Applications would be accepted only for projects that cost at least $75 million, have a public sponsor (a state or local government), and are of regional or national significance. The Bank would then rate each application based on its promotion of economic growth, its mobility improvements, its reduction of poverty concentration, its environmental benefits, its potential to promote smart urban growth, and its regional or national significance (the criteria vary slightly for each type of infrastructure project).

## Adv: Ports

#### The Panama Canal expansion will fundamentally change seaborne commerce – US ports require new harbor deepening or they won’t be able to compete for post-Panamax ships and exports—the time is now

Bridges 2011 **–**Chairman of the Board of the American Association of Port Authorities and Executive Director of Virginia Port Authority (Jerry A., “Testimony of Jerry A. Bridges Chairman of the Board of the American Association of Port Authorities and Executive Director of Virginia Port Authority before the United States House of Representatives Transportation and Infrastructure Committee Water Resources and Environment Subcommittee Hearing: the Economic importance of Seaports: Is the United States Prepared for 21st Century Trade Realities?” , October 26, 2011,  [<http://republicans.transportation.house.gov/Media/file/TestimonyWater/2011-10-26%20Bridges.pdf>)//MM](http://republicans.transportation.house.gov/Media/file/TestimonyWater/2011-10-26%20Darcy.pdf)/MM)

Since the birth of our nation, U.S. seaports and waterways that connect them have served as a vital economic lifeline by bringing goods and services to people around the world and by delivering prosperity to our nation. U.S. seaports are responsible for moving more than 99 percent of our country’s overseas cargo. Today, international trade accounts for more than a quarter of Americas Gross Domestic Product. Americas seaports support the employment of 13.3 million U.S. workers, and seaport- related jobs account for $649 billion in annual personal income. For every $1 billion in exports shipped through seaports, 15,000 U.S. jobs are created. Seaports facilitate trade and commerce, create jobs, help secure our borders, support our military and serve as stewards of valuable coastal environmental resources. Ports are dynamic, vibrant centers of trade and commerce, but what is most important to understand is that seaports rely on partnerships. Seaports invest more than $2.5 billion every year to maintain and improve their infrastructure. In recent years, however, this commitment has not been adequately matched by the federal government. Federal funding for dredging federal navigation channels has slowed and decreased, **especially for new construction**. Further, maintenance dredging is sorely underfunded, despite a more than $6 billion and growing surplus in the Harbor Maintenance Trust Fund. Landside improvements have also been too low a priority, with little of the highway funds going to freight transportation projects. The only bright light has been the newly created TIGER grants, although not enough of this funding benefited ports. Virginia Port Authority received a TIGER grant for its heartland project. As we look to the future, we do know that there are challenges and opportunities. As we recover from this economic downturn, we must make investments today to address the trade realities of the future. Here are some the challenges and we have to ask: are we ready?

* The Panama Canal expansion is due to be completed in 2014 and is expected to influence trade patterns. VPA and other ports have been making investments, but federal funding has been slow to match these investments. Ship sizes continue to get larger, requiring on-'going modernization of ports and federal navigation channels, even for ports that will not require 50 feet of depth.
* Canada and Mexico are making investments which could result in losses of maritime jobs in the U.S. as cargo enters the U.S. through these countries. We have already seen this job loss on the West Coast.
* The U.S. seeks to double exports; however countries like Brazil and Chile, who we compete against the U.S. in terms of agricultural exports, are making investments that could make their exports more competitive.
* New trade agreements with Korea, Panama and Colombia have been approved, with other trade agreements under negotiations which should result in increased exports and imports through ports.
* In addition to these near-term challenges, we know that the U.S. population is forecast to grow by 100 million - a 30 percent increase - before the middle of the 2lst century. And many of the goods used by this population will flow through seaports.

So are we ready? While ports are planning for the future, the federal government has not kept pace with the industry or our international competitors. The federal government has a unique Constitutional responsibility to maintain and improve the infrastructure that enables the flow of commerce, and much of that infrastructure in and around seaports have been neglected for too long. Many of our land and water connections are insufficient and outdated, affecting the ports' ability to move cargo efficiently into and out of the U.S. This hurts U.S. business, hurts U.S. workers and hurts our national economy. Port projects take decades to plan and build and we cannot wait. Federal investments in seaports are an essential and effective utilization of limited resources, paying dividends through increased trade and commerce, long-term job creation, secure borders, military support, environmental stewardship, and more than $200 billion in federal, state and local tax revenue. Earlier this month, the President’s Council on Jobs and Competitiveness made an urgent plea for improvements in the nation's transportation infrastructure, including landside and waterside access to seaports. We cannot wait.

#### The plans ability to increase and maintain available capital at competitive growth rates make it the best and only way to expand ports efficiently

Michael Likosky March 1, 2012 “A Bank for Infrastructure Funding” http://www.governing.com/columns/public-finance/col-bank-infrastructure-funding.html

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.

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.

#### Expanding port infrastructure is vital to US global economic leadership

Kiefer et al, 2k– principal investigator for Planning and Management Consultants– study authorized by Section 401 of the Water Resources Development Act of 1999, report to the US Army Corps of Engineers (Jack, Planning and Management Consultants, “The National Dredging Needs Study of Ports and Harbors Implications to Cost-Sharing of Federal Deep Draft Navigation Projects Due to Changes in the Maritime Industry”, May 2000, <http://www.iwr.usace.army.mil/docs/iwrreports/00-R-8.pdf>) // CB

2.2.2 Other Tangible Benefits

Indirect benefits of Corps projects include gains associated with international trade. Historical expenditures for harbor improvements facilitate international trade by providing ships more efficient access to the Nation's ports. International trade in turn creates and sustains jobs and generates Federal tax revenues. The exact method of computing income and employment associated with international trade is debatable, but one of the best techniques is to calculate the value added by U.S. businesses and households to imports and exports. 5 Computations reveal that nearly 20 percent of all U.S. jobs are directly associated with international trade. A slightly higher percentage of personal income would be associated with international trade because such jobs pay somewhat more than the U.S. average. In addition, about $553 million were collected for the Harbor Maintenance Trust Fund in 1999.

Some benefits of harbor improvements are difficult or impossible to quantify. For individual projects these are given little attention. Policy decisions concerning project authorizations and appropriations should consider intangible benefits as well as tangible direct and secondary benefits. This idea is particularly applicable to international trade and specifically container trade. For example, America is such a big market, **international trade gives the U.S. considerable leverage when dealing with foreign governments**. Thus, **international trade can enhance the U**nited **S**tates’ **role as a world leader. National harbors are** also **a vital part of our military’s power projection platform.**

Economists believe in the law of comparative advantage, which states that nations benefit when they specialize in producing certain goods and services and then trade with each other rather than producing everything themselves. For example, most people perceive that the majority of foreign trade consists of consumer goods such as clothing and televisions. However, as shown in Table 2-2, a significant portion of U.S. foreign trade consists of semi-manufactured commodities and raw materials such as iron and steel or crude petroleum. These products are used to produce other goods, or are further processed in the importing country. For example, in the United States imported car parts are often used to produce exports of finished automobiles. Machinery and electrical equipment are often used the same way. Thus, efficient flow of international commodities is important for all nations including the United States.

Global trade is very competitive and profit margins are thin. This is particularly true for maritime transportation including the container shipping industry. . Growth in U.S. foreign trade, even though it is substantial, is not as high as growth in total international trade, particularly with respect to containerships. It is quite possible for some U.S. trade to be diverted or to be serviced by less efficient ships. This may occur if American ports and the Federal government are not able to meet current challenges posed by developments in international trade.

2.2.4 Lost Benefits

There are lost benefits associated with delays in the construction of harbor improvement projects. Costs increase with delays, not only because of inflation but because the construction process becomes distorted by available funds. Costs associated with delays can and have been estimated. Typically, a year’s delay in schedule leads to a penalty of more than 10 percent of project cost. This is sizable and should be considered when making cost-sharing policies. Cost-sharing policies should seek to insure that both public ports and the Federal government fund projects in a timely manner. There are also benefits foregone due to lost transportation cost savings with project delays.

Project delays affect the Nation in another way. Although these benefits are difficult to quantify, such effects are perhaps more important than those that can be measured. Delays create an uncertain atmosphere that can impact decisions to develop infrastructure elsewhere. Container ports are very capital intensive and require long term planning. Massive containerships are rapidly being put into service at ports throughout the world. Without a clear signal of intent to accommodate these vessels in the United States, necessary ports and facilities may be built elsewhere. Once major investments are made elsewhere, the full efficiencies of large containerships in the form of lower transportation costs for general cargo may be lost to the Nation for a long time to come.

2.3 Geographical Incidence of International Trade

Public ports generally have a regional or local economic development mandate along with authorizations to improve harbor facilities. This does not mean, however, that local economies near ports capture all or most of the benefits associated with international trade. For example, when a port unloads crude petroleum from a ship, it charges a fee that generates revenues for the port and the local community. But imported oil also fuels cars and homes throughout the Nation. Likewise, when a port loads grain or coal onto a ship for export, farmers in the U.S. heartland benefit as do coal miners in the hills of West Virginia, Pennsylvania and Kentucky. Container trade benefits all regions of the country as well.

As shown in Table 2-3, fifteen U.S. ports account for about 80 percent of international maritime trade in terms of value. These ports represent only ten states, however much of the cargo they handle flows to other regions. Table 2-4 shows the origin and destination of international cargo for each U.S. state measured in terms of value. On average, any given state uses the services of 15 different ports around the country. For example, the California ports of Los Angeles, Long Beach and Oakland collectively handle about $187 billion worth of cargo, but the state of California is the origin or destination of only $106 billion. While most container trade flows in and out of ports on the East and West Coasts, it is distributed throughout the Nation as shown in Tables 2-5 and 2-6. For instance, the Port of Charleston, S.C. handled about 800 thousand TEUs in 1996, but the state of South Carolina was the origin or destination of only 160 thousand of these TEUs. Similarly, the ports of Los Angeles, Long Beach and Oakland handled five million TEUs but only 2.5 million originated or were destined to sites within California.

[table omitted]

2.4 Conclusion

The benefits of harbor improvements are numerous. Expenditures for harbor improvements have facilitated international trade by providing ships more efficient access to the Nation's ports. International trade in turn creates and sustains jobs and generates Federal tax revenues. Foreign commerce has become crucial to the economic well-being of the United States. In 1946, U.S. international trade represented a relatively small portion of the U.S. economy, but today foreign trade accounts for 27 percent of U.S. gross domestic product. Harbor improvements also affect prices of U.S. imports and exports. With deeper channels vessel operators can load more cargo onto a ship and sail deeper, or they can use larger more efficient vessels. Unit transportation costs decline and lower transportation costs are reflected in commodity prices. Intangible benefits are also important. Free trade promotes international relations and stability and bolsters the United States’ position as a world leader. Lastly, it is important to stress that the economic benefits of international trade are widespread and are not limited to a handful of coastal states.

#### Economic leadership prevents economic collapse—leadership key to resilience

Mandelbaum, 5 – Professor and Director of the American Foreign Policy Program at Johns Hopkins – 2005

[Michael, The Case for Goliath: How America Acts As the World’s Government in the Twenty-First Century, p. 192-195]

Although the spread of nuclear weapons, with the corresponding increase in the likelihood that a nuclear shot would be fired in anger somewhere in the world, counted as the most serious potential consequence of the abandonment by the United States of its role as the world's government, it was not the only one. In the previous period of American international reticence, the 1920s and 1930s, the global economy suffered serious damage that a more active American role might have mitigated. A twenty-first-century American retreat could have similarly adverse international economic consequences. The economic collapse of the 1930s caused extensive hardship throughout the world and led indirectly to World War II by paving the way for the people who started it to gain power in Germany and Japan. In retrospect, the Great Depression is widely believed to have been caused by a series of errors in public policy that made an economic downturn far worse than it would have been had governments responded to it in appropriate fashion. Since the 1930s, acting on the lessons drawn from that experience by professional economists, governments have taken steps that have helped to prevent a recurrence of the disasters of that decade.' In the face of reduced demand, for example, governments have increased rather than cut spending. Fiscal and monetary crises have evoked rescue efforts rather than a studied indifference based on the assumption that market forces will readily reestablish a desirable economic equilibrium. In contrast to the widespread practice of the 1930s, political authorities now understand that putting up barriers to imports in an attempt to revive domestic production will in fact worsen economic conditions everywhere. Still, a serious, prolonged failure of the international economy, inflicting the kind of hardship the world experienced in the 1930s (which some Asian countries also suffered as a result of their fiscal crises in the 1990s) does not lie beyond the realm of possibility. Market economies remain subject to cyclical downturns, which public policy can limit but has not found a way to eliminate entirely. Markets also have an inherent tendency to form bubbles, excessive values for particular assets, whether seventeenth century Dutch tulips or twentieth century Japanese real estate and Thai currency, that cause economic harm when the bubble bursts and prices plunge. In responding to these events, governments can make errors. They can act too slowly, or fail to implement the proper policies, or implement improper ones. Moreover, the global economy and the national economies that comprise it, like a living organism, change constantly and sometimes rapidly: Capital flows across sovereign borders, for instance, far more rapidly and in much greater volume in the early twenty-first century than ever before. This means that measures that successfully address economic malfunctions at one time may have less effect at another, just as medical science must cope with the appearance of new strains of influenza against which existing vaccines are not effective. Most importantly, since the Great Depression, an active American international economic role has been crucial both in fortifying the conditions for global economic well-being and in coping with the problems that have occurred, especially periodic recessions and currency crises, by applying the lessons of the past. The absence of such a role could weaken those conditions and aggravate those problems. The overall American role in the world since World War II therefore has something in common with the theme of the Frank Capra film It's a Wonderful Life, in which the angel Clarence, played by Henry Travers, shows James Stewart, playing the bank clerk George Bailey, who believes his existence to have been worthless, how life in his small town of Bedford Falls would have unfolded had he never been born. George Bailey learns that people he knows and loves turn out to be far worse off without him. So it is with the United States and its role as the world's government. Without that role, the world very likely would have been in the past, and would become in the future, a less secure and less prosperous place. The abdication by the United States of some or all of the responsibilities for international security that it had come to bear in the first decade of the twenty-first century would deprive the international system of one of its principal safety features, which keeps countries from smashing into each other, as they are historically prone to do. In this sense, a world without America would be the equivalent of a freeway full of cars without brakes. Similarly, should the American government abandon some or all of the ways in which it had, at the dawn of the new century, come to support global economic activity, the world economy would function less effectively and might even suffer a severe and costly breakdown. A world without the United States would in this way resemble a fleet of cars without gasoline.

#### A highly economically interdependent world would go nuclear without US leadership

Mandelbaum, 5 – Professor and Director of the American Foreign Policy Program at Johns Hopkins – 2005

[Michael, The Case for Goliath: How America Acts As the World’s Government in the Twenty-First Century, p. 224]

At best, an American withdrawal would bring with it some of the political anxiety typical during the Cold War and a measure of the economic uncertainty that characterized the years before World War II. At worst, the retreat of American power could lead to a repetition of the great global economic failure and the bloody international conflicts the world experienced in the 1930s and 1940s. Indeed, the potential for economic calamity and wartime destruction is greater at the outset of the new century than it was in the first half of the preceding one because of the greater extent of international economic interdependence and the higher levels of prosperity—there is more to lose now than there was then—and because of the presence, in large numbers, of nuclear weapons.

## Adv: Rail

### 1AC Rail Advantage

#### **Obama pushing for rail programs –the budget is holding it back**

TIME, 2/2011 (Michael Grunwald – journalist for TIME Politics, “Obama’s Big, Bold Bet on High Speed Rail”, http://www.time.com/time/politics/article/0,8599,2047110,00.html)

Six weeks ago, I warned that President Obama's much maligned high-speed-rail program was becoming a " high-stakes gamble."

Well, the President just went all in.

On Tuesday, Vice President Joe Biden announced a six-year, $53 billion plan to expand high-speed passenger trains, a surprisingly aggressive boost for Obama's fledgling effort to change the way we move around the country. Last year, the President requested just $1 billion for the program from a Democratic Congress; now that Republicans control the House and have vowed to slash spending in general and high-speed rail in particular, he's requesting $8 billion for next year.

Judging from the reaction of the House Transportation and Infrastructure Committee chairman, John Mica, who is actually one of the more supportive Republicans when it comes to rail, Obama shouldn't count his winnings yet. "This is like giving Bernie Madoff another chance at handling your investment portfolio," Mica said.

Still, the announcement at Philadelphia's 30th Street Amtrak station — a key link in the popular and profitable Acela line, which is America's closest current approximation of a bullet-train service — made it clear that Obama intends to fight for one of his signature initiatives even though it's had a run of bad press. He announced in his State of the Union address that he wants high-speed rail to serve 80% of the population by 2025, as part of his new push for infrastructure investments to promote American competitiveness and help "win the future." But now he's really putting his money — or at least his budget proposal — behind the program.

Biden, who has ridden Amtrak nearly 8,000 times between Washington and Wilmington, Del., predicted that a national network of faster trains would help create jobs, reduce dependence on foreign oil and relieve congestion in highways and airports, while upgrading the long-term efficiency and productivity of the U.S. economy. Just one day after Amtrak announced it was resurrecting a recently killed commuter-rail tunnel to send more Acela trains into Manhattan, Biden said the Administration was proposing the largest rail investment since Abraham Lincoln began the intercontinental railroad — and promised a similar impact.

"If we don't seize this future, how will America ever have the opportunity to lead the world in the 21st century?" Biden asked.

In 2009, Obama launched high-speed rail by slipping $8 billion into his stimulus package, even though few potential projects were shovel-ready enough to provide real stimulus. Eager governors from both parties made $55 billion worth of requests for the cash, a reflection of pent-up demand, and in last year's State of the Union, Obama described the program as a matter of not just mobility but also of national pride as well.

#### Rail projects are promising but needs a new way of investment for success

TIME, 2/2011 (Michael Grunwald – journalist for TIME Politics, “Obama’s Big, Bold Bet on High Speed Rail”, http://www.time.com/time/politics/article/0,8599,2047110,00.html)

U.S. passenger trains are, quite simply, a global laughingstock. Most of them travel at speeds that were common a century ago. Meanwhile, bullet trains have been zipping around Western Europe and East Asia for years, China is building more high-speed rail than the rest of the world combined, and even countries like Morocco and Brazil are getting into the game. "It works everywhere else in the world," says Alstom Transport vice president Chuck Wochele, whose French firm is one of 30 train manufacturers that have pledged to build or expand U.S. factories if they land high-speed contracts. "Unfortunately, it's been politicized in the U.S."

That's putting it mildly. Just about everything in the Obama era has been politicized, especially the contents of the stimulus. But high-speed rail has endured an inordinate share of high-profile attacks, even though construction has only begun in a handful of states. The new GOP governors of Wisconsin and Ohio recently shut down projects they had denounced as boondoggles on the campaign trail, forcing the Administration to redistribute their money. In Florida, which has received $2.4 billion to build the nation's first real bullet route between Tampa and Orlando, Governor Rick Scott has sent ominous signals that he might cancel that showcase project as well; at a Tea Party rally on Monday, he asked whether anyone actually intended to ride the train. No hands were raised.

Meanwhile, negotiations with freight railroads have delayed efforts to upgrade Amtrak routes in North Carolina, Virginia and Washington. And the nation's most ambitious and important project, a bullet train between Los Angeles and San Francisco, has been a political nightmare. Its problems include well-financed local opposition, questionable ridership studies and cost estimates, and complaints that its first planned segment in the sparsely populated Central Valley would be a train to nowhere.

Mica represents Orlando, but he has argued that the Obama Administration should focus instead on upgrading Acela service in the Northeast Corridor, which got almost none of the high-speed money. He's supported true high-speed rail on dedicated tracks, but he's mocked grants to increase speeds on much slower Amtrak routes that share tracks with plodding freight trains. And like many Republicans, he really hates Amtrak, the government's passenger-train operator, which has a role in almost every project. Mica and the House Railroads Subcommittee chairman, Bill Shuster of Pennsylvania, already planned to investigate the Administration's previous funding decisions — and they're not happy with this one. "The definition of insanity is doing the same thing over and over again expecting a different result, and that is exactly what Vice President Biden offered today," Shuster said. "If the Obama Administration is serious about high-speed rail, they should stop throwing money at projects in the same failed manner."

In fact, after the initial $8 billion down payment in the stimulus, Obama had seemed a bit reluctant to throw more money at high-speed rail. A true national network of 200-m.p.h. bullet trains would cost hundreds of billions of dollars, but Obama requested only $1 billion for 2010. Irritated congressional Democrats gave him $2.5 billion, grumbling that he didn't seem serious. When Republican appropriators threatened to rescind all unspent rail money after the November elections, some train supporters feared that Obama would fold.

Instead, after slow-playing his hand for two years, he's raising the stakes. In Philadelphia, Transportation Secretary Ray LaHood predicted that Obama and Biden would be remembered for high-speed rail the way Dwight Eisenhower is for the interstate highways and Lincoln is for the transcontinental railroad. "They will go down in history as the railmen of the 21st century," LaHood said.

Unless the program goes down first.

Next week, Obama will roll out his budget. Moments later, House Republicans will declare it dead on arrival. And after months of clamoring for major spending cuts, they're especially unlikely to accept increases to a signature Obama program. But the Administration still believes that public works can be powerful politics, that Americans want to think of themselves as builders, that investments can get respect even when spending is toxic. As Philadelphia Mayor Michael Nutter said in his introduction, "We're talking about jobs!" Unlike health care reform or Wall Street reform, high-speed rail doesn't have an obvious adversary in the business world; in fact, at a conference in Washington, D.C., on Tuesday, the U.S. High Speed Rail Association was mobilizing industry support for the $53 billion expansion.

"This is a huge industry, and I think you'll see a lot more advocacy in the coming year," Alstom's Wochele said in a phone interview from the conference. "There's so much misperception about passenger rail. It's become us against them, and it shouldn't be. We need to make sure people talk to their Congressmen."

#### **Future railway projects can spur jobs – only obstacle is financial crisis**

BBC, 10/2011 (Tom Geoghegan – journalist for BBC News, “Could the US crack high-speed rail?”, http://www.bbc.co.uk/news/magazine-15251180)

The US High Speed Rail Association (USHSR), which is hosting the event, has set out a highly ambitious, $600bn (£383bn) plan to build a high-speed rail network in four phases by 2030, which it illustrates on its website with an animated map. "This really is the transport system for the 21st Century and there's no reason why we shouldn't build it," says Andy Kunz, president and chief executive officer of USHSR. "In fact we will have to build it. There are no other options. "The oil supply and price is not sustainable and we will not be able to continue to run America with oil at $200 a barrel. If we are going to maintain our prosperity and mobility we have to build this rail system." Using public and private funds, Mr Kunz argues the network could pay for itself within five or 10 years, because dependency on foreign oil currently costs the US hundreds of billions of dollars annually, and these railways would use cleaner energy sources. They would also generate hundreds of thousands of jobs. When asked whether it's feasible to implement such a huge project any time soon, he points to two great American feats of engineering - President Lincoln's transcontinental railroad and President Eisenhower's interstate highways built over a period of 35 years a century later. But there are considerable political and financial hurdles to overcome.In 2009, President Barack Obama allocated $8bn in his stimulus package towards high-speed rail in 10 areas, but state governors in Florida, Ohio and Wisconsin said "no thanks" and the funds intended for their states were allocated elsewhere. Some of the US railway stations are magnificent In February, when vice-president Joe Biden proposed a $53bn bill for what he described as the biggest investment in rail since Lincoln, he was derided by one influential Republican as "insane". For some critics, the problem is not high-speed rail in principle but picking the right projects to invest in, especially when the country is facing a financial crisis and huge spending cuts. A spokesman for a public policy think-tank, the Reason Foundation, questions the projected passenger figures that enthusiasts put their faith in, and says that beyond the north-east, there are very few places in the US where it could pay its way. In Europe, where higher fuel prices and denser populations help make high-speed rail more attractive, there has been a frenzy of construction and planning. France and Spain aim to double their networks of bullet trains in the coming decades. China, which already boasts half the world's high-speed lines, is making similar strides, although an accident that killed 40 people earlier this year sparked a debate about whether the government was moving too fast. In the US, California could be the first state to get a dedicated high-speed passenger rail system, with work due to begin next year on the first section of a line running the length of the huge state, which would carry 322km/h (200mph) trains. Congressman Jim Costa believes building the railway will generate nearly 300,000 jobs and then another 450,000 permanent posts after it's built. But Christian Wolmar, a transport expert based in the UK, has serious doubts. "In California, the notion that they can build in one fell swoop a high-speed network that runs from Sacramento to San Diego is just too ambitious. "Why not start with a high-speed line that stretches from one end of the Bay Area to another? Then extend it to LA? Instead they plan this massive high-speed line that goes from one end of the state to another." Arnold Schwarzenegger looked at Japan's bullet trains when California governor While the US freight rail system is fantastically successful, the existing passenger service is decades behind Europe, he says, due to low investment and hostility from freight companies, which own most of the track. "America has not been able to retain anything but a vestige of a passenger railway. Amtrak carries about 30 million [passengers] a year, which in Britain, a much smaller country, is about 10 days' worth of journeys," says Mr Wolmar, who recently returned from the US and wrote about the American railways in his blog. "They haven't managed to achieve speeds, frequency or fares that would rival cars." The fact that so many Americans have never boarded a train presents a significant cultural barrier, he adds. But Mr Kunz disagrees. "People say Americans were born with car keys in their hands and driving is in our DNA - but if you look back to 1922 then 99% of Americans lived in cities and moved around on trains." From that point on, the oil and motor industries pushed for road projects and American cities were developed with that in mind. But he believes the expansion of light rail and metro systems can help turn urban America into more "walkable communities". Back on the Acela, the train pulls into its final destination, Union Station, bang on time. "This is Washington DC. Final stop," says the announcement. For the American dream of high-speed rail, it could be just the start.

#### Transportation Infrastructure failing now – only FIB solves

The Economist, 4/11 (The Economist -The Economist online offers authoritative insight and opinion on international news, politics, business, finance, science and technology, “Life in the slow lane”, http://www.economist.com/node/18620944)

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. Please, not again What is to be done? The rehabilitation of America’s transport network will be neither easy nor cheap. To make the necessary repairs and upgrades, America will need to spend a lot more. In a deficit-conscious environment, that will require new revenue. The most straightforward first step would be a rise in fuel-tax rates, currently at 18.4 cents a gallon. But petrol-tax increases are even more unpopular than deficits, and rises may prove riskier as oil prices increase. Some in Washington would rather take their cut further away from consumers. A tax on oil, rather than petrol, could be a little easier for consumers to stomach. America’s big oil producers signalled openness to a similar policy during negotiations over the ill-fated but bipartisan Kerry-Graham-Lieberman climate bill. It could return as a means to fund infrastructure. Economists press for direct user fees. An early Obama administration flirtation with a tax on miles driven attracted little support, but some cities have run, or are thinking of running, pilot schemes. Congestion charges present another possibility. State governments have increasingly turned to tolls to fund individual projects, but tolling inevitably meets stiff public resistance. Meanwhile, Manhattan’s attempt to duplicate the congestion charges of London and Stockholm failed to win the necessary political support, despite the offer of a generous federal subsidy in return for trying the experiment. An earlier attempt to auction scarce landing and departure slots at New York’s three large airports faced stiff resistance from airlines and was ultimately killed. Whatever the source of new revenue, America’s Byzantine funding system will remain an obstacle to improved planning. Policymakers are looking for ways around these constraints. Supporters of a National Infrastructure Bank—Mr Obama among them—believe it offers America just such a shortcut. A bank would use strict cost-benefit analyses as a matter of course, and could make interstate investments easier. A European analogue, the European Investment Bank, has turned out to work well. Co-owned by the member states of the European Union, the EIB holds some $300 billion in capital which it uses to provide loans to deserving projects across the continent. EIB funding may provide up to half the cost for projects that satisfy EU objectives and are judged cost-effective by a panel of experts. American leaders hungrily eye the private money the EIB attracts, spying a potential solution to their own fiscal dilemma. But there are no free lunches. To keep project costs down, the bank must offer low rates, which depend in turn upon low capital costs. That may be impossible without government backing, but the spectacular failure of the two government-sponsored housing organisations, Fannie Mae and Freddie Mac, illustrates the dangers of such an arrangement. The EIB mitigates this problem by attempting to maximise public return rather than profit. To earn funding, projects must meet developmental and environmental goals, along with other requirements. But giving the bank a public mission would invite congressional oversight—and tempt legislators to meddle in funding decisions. The right balance of government support and independence may prove elusive. Budget crises could give a boost to public-private partnerships. Partnerships can be a useful way to screen out poorly conceived projects that are unlikely to generate the promised returns. No private firm will bid to build and operate a project that will probably fail to cover its costs through toll or fare revenue. Well-designed contracts can also improve incentives by giving the construction firm a long-run interest in the project. Infrastructure projects built through public-private partnerships in Britain and Chile, where the arrangement is far more common than in America, have sometimes, though not always, been completed more cheaply and quickly than public plans. 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. Mr Obama is thinking big. His 2012 budget proposal contains $556 billion for transport, to be spent over six years. But his administration has declined to explain where the money will come from. Without new funding, some Democratic leaders have warned, a new, six-year transport bill will have to trim annual highway spending by about a third to keep up with falling petrol-tax revenues. But Republicans are increasingly sceptical of any new infrastructure spending. Party leaders have taken to using inverted commas around the word “investment” when Democrats apply it to infrastructure. Roads, bridges and railways used to be neutral ground on which the parties could come together to support the country’s growth. But as politics has become more bitter, public works have been neglected. If the gridlock choking Washington finds its way to America’s statehouses too, then the American economy risks grinding to a standstill.

#### Only Federal Infrastructure Bank can solve for rail

MSNBC, 7/2011 (Anika Anand – contributor of MSNBC, “Bank plan would help build bridges, boost jobs”, http://today.msnbc.msn.com/id/43606379/ns/today-today\_news/t/bank-plan-would-help-build-bridges-boost-jobs/)

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.

Opponents of the BUILD Act question this supposed political neutrality. One skeptic is Rep. John Mica, R-Fla., chairman of the House Transportation and Infrastructure Committee, whose support of the bill is considered critical.

“The Senate proposal empowers Washington decision-making and administrative earmarks,” he wrote in an e-mail. “We plan to give states more authority and take approval out of federal hands by empowering state infrastructure banks.”

There are currently a handful of state infrastructure banks, although it’s more difficult for them to cross state borders and bring municipalities together to fund national-scale projects.

Opponents also point to public-private infrastructure projects that have drawn public criticism, such as the $3.8 billion Indiana Toll Road, which was leased to foreign private investors.

### Solvency

#### First, an infrastructure bank key to securing the public-private partnerships necessary for investment in mass transit projects like high-speed rail

Anand, MSNBC contributor, 2011 Anika, MSNBC, “Bank plan would help build bridges, boost jobs,” July 6, http://www.msnbc.msn.com/id/43606379/ns/business-eye\_on\_the\_economy/t/bank-plan-would-help-build-bridges-boost-jobs/#.T7v68XlYuB0, last accessed 5.22.12

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](http://fastlane.dot.gov/2011/06/us-mayors-declares-support-for-president-obamas-high-speed-rail-initiative.html) 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.](http://www.reuters.com/article/2011/02/08/us-usa-transport-rail-idUSTRE7173OM20110208) 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](http://www.msnbc.msn.com/id/43606379/ns/business-eye_on_the_economy/t/bank-plan-would-help-build-bridges-boost-jobs/) 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.

#### Public private cooperation necessary for HSR to work

Dutzik and Schneider, 2011

Tony Dutzik and Jordan Schneider, Frontier Group; Phineas Baxandall, U.S. PIRG Education Fund, [Dutzik-senior policy analyst with Frontier Group, specializing in energy, transportation and climate policy, Schneider-Senior Staff Engineer at MacroUSA] Frontier Group, High-Speed Rail: Public, Private or Both?:Assessing the Prospects, Promise and Pitfalls of Public-Private Partnerships, Web June 29, 2012, <http://www.frontiergroup.org/reports/fg/high-speed-rail-public-private-or-both>, July 19, 2011

**Private sector companies are necessary to play a major role in the effective construction of high-speed rail lines in the United States**. Even as California nears construction of the nation’s first high-speed rail line, however, it remains unclear just how the private sector will participate in building out the nation’s high-speed rail network. **Public-private partnerships – or “PPPs” – have come to play an important role in the construction of high-speed rail lines around the world.**  In a PPP, the public and private sectors are supposed to share the risks, responsibilities and rewards of infrastructure development. While PPP arrangements have brought private capital and expertise to the task of building high-speed rail, PPPs have also resulted in cost overruns, government bailouts, and other serious problems for the public. America must learn from these experiences and pursue PPPs only in situations in which they make sense– and do so in keeping with a series of key principles designed to protect the public interest. **High-speed rail systems require billions of dollars in financial capital, which cash-strapped state and federal governments are wise to seek through partnerships with the private sector. California is moving forward with the creation of the nation’s first true high-speed rail system, and it is required by ballot initiative to obtain private investment in the project.** Amtrak is seeking to involve private investors in its plan to bring true high-speed rail service to the busy Northeast Corridor. **The U.S. Department of Transportation has signaled that private investment will play a key role in achieving** President Obama’s goal of **linking 80 percent of the U.S. population via high-speed** rail by 2035. **No modern high-speed rail line has ever been built with only private capital. In several recent and current European high-speed rail PPPs, the public sector has been responsible for more than half the capital cost of the high-speed rail line.**

#### Public-private partnership is the only viable way to implement a HSR infrastructure in the U.S..

Arena, 2012

Richard Arena [President at Association for Public Transportation, Board of Directors at National Corridors Initiative , Advisory Board at US High Speed Rail Association , Managing Director at ARC Systems International, LLC, Boston University Graduate School of Management, Cornell University] Mass Transit: Funding High-Speed Transportation in America with Public-Private Partnerships, Web June 29, 2012, <http://www.masstransitmag.com/article/10714851/funding-high-speed-transportation-in-america-with-public-private-partnerships>, May 30, 2012

**According to the American Society of Civil Engineers (ASCE), America has an infrastructure investment backlog of more than $2 trillion.** Nowhere is this more apparent than in the area of transportation. But with federal and state governments running deficits far into the future, and a federal debt approaching $16 trillion, **public sector finances are acutely stretched**. **The private sector has the experience and capacity to undertake many of these critical projects but is wary to commit on its own for fear of being exposed to risks it will not be able to justify to its shareholders. But were both sides able to collaborate, the public sector could mitigate the risks and the private sector could use its resources to expedite infrastructure investment.** Welcome to the potential of public-private partnerships (P3s). That approach would be implementation of public-private-partnerships, PPP or P3s as they are often called. **Many now believe that P3s can be the answer to building HSR in America. The task at hand is devising a formula for P3s that would work and be palatable to government, private corporations, unions and management, as well as citizen taxpayers, fare payers and toll payers**. House Transportation & Infrastructure Chair John Mica (R-Fla.) has already called for this to upgrade the NEC. Also, legislation is required to expedite land acquisition for HSR right of way and areas around HSR train stations for transit-oriented development (TOD). Another critical legislative initiative will be requisite to facilitate the value capture of project revenues from existing properties in the proposed HSR station areas**. Developers must be allowed to assume that when calculating the return on investment (ROI) for the HSR project that they could include not only revenues from HSR fares, but also from rent and lease payments flowing from commercial and residential properties at the TOD sites.**

### Middle Class Econ I/L

#### Mass transit and high-speed rail stimulate middle class spending by lowering transportation costs

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

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

The President’s proposal emphasizes transportation choices, including mass transit and high-speed rail, to deliver the greatest long-term benefits to those who need it most: middle-class families. The average American family spends more than $7,600 a year on transportation, which is more than they spend on food and more than twice what they spend on out-of-pocket health care costs. For 90 percent of Americans, transportation costs absorb one out of every seven dollars of income. This burden is due in large part to the lack of alternatives to expensive and often congested automobile travel. Multi-modal transportation investments are critical to making sure that American families can travel without wasting time and money stuck in traffic.

A more efficient transportation infrastructure system will reduce our dependence on oil, saving families time and money. Traffic congestion on our roads results in 1.9 billion gallons of gas wasted per year, and costs drivers over $100 billion in wasted fuel and lost time. More efficient air traffic control systems would save three billion gallons of jet fuel a year, translating into lower costs for consumers. Finally, new research indicates that Americans who were able to live in “location efficient” housing were able to save $200 per month in lower costs, including paying less at the pump, over the past decade.

#### And, consumer spending is key to short-term recovery and long-term growth

Livingston, Professor of History at Rutgers, 2011

James, New York Times, “It’s Consumer Spending, Stupid,” October 25, http://www.nytimes.com/2011/10/26/opinion/its-consumer-spending-stupid.html, last accessed 5.22.12

AS an economic historian who has been studying American capitalism for 35 years, I’m going to let you in on the best-kept secret of the last century: private investment — that is, using business profits to increase productivity and output — doesn’t actually drive economic growth. Consumer debt and government spending do. Private investment isn’t even necessary to promote growth. This is, to put it mildly, a controversial claim. Economists will tell you that private business investment causes growth because it pays for the new plant or equipment that creates jobs, improves labor productivity and increases workers’ incomes. As a result, you’ll hear politicians insisting that more incentives for private investors — lower taxes on corporate profits — will lead to faster and better-balanced growth. The general public seems to agree. According to a New York Times/CBS News poll in May, a majority of Americans believe that increased corporate taxes “would discourage American companies from creating jobs.” But history shows that this is wrong. Between 1900 and 2000, real Gross Domestic Product per capita (the output of goods and services per person) grew more than 600 percent. Meanwhile, net business investment declined 70 percent as a share of G.D.P. What’s more, in 1900 almost all investment came from the private sector — from companies, not from government — whereas in 2000, most investment was either from government spending (out of tax revenues) or “residential investment,” which means consumer spending on housing, rather than business expenditure on plants, equipment and labor. In other words, over the course of the last century, net business investment atrophied while G.D.P. per capita increased spectacularly. And the source of that growth? Increased consumer spending, coupled with and amplified by government outlays. The architects of the Reagan revolution tried to reverse these trends as a cure for the stagflation of the 1970s, but couldn’t. In fact, private or business investment kept declining in the ’80s and after. Peter G. Peterson, a former commerce secretary, complained that real growth after 1982 — after President Ronald Reagan cut corporate tax rates — coincided with “by far the weakest net investment effort in our postwar history.” President George W. Bush’s tax cuts had similar effects between 2001 and 2007: real growth in the absence of new investment. According to the Organization for Economic Cooperation and Development, retained corporate earnings that remain uninvested are now close to 8 percent of G.D.P., a staggering sum in view of the unemployment crisis we face. So corporate profits do not drive economic growth — they’re just restless sums of surplus capital, ready to flood speculative markets at home and abroad. In the 1920s, they inflated the stock market bubble, and then caused the Great Crash. Since the Reagan revolution, these superfluous profits have fed corporate mergers and takeovers, driven the dot-com craze, financed the “shadow banking” system of hedge funds and securitized investment vehicles, fueled monetary meltdowns in every hemisphere and inflated the housing bubble. Why, then, do so many Americans support cutting taxes on corporate profits while insisting that thrift is the cure for what ails the rest of us, as individuals and a nation? Why have the 99 percent looked to the 1 percent for leadership when it comes to our economic future? A big part of the problem is that we doubt the moral worth of consumer culture. Like the abstemious ant who scolds the feckless grasshopper as winter approaches, we think that saving is the right thing to do. Even as we shop with abandon, we feel that if only we could contain our unruly desires, we’d be committing ourselves to a better future. But we’re wrong. Consumer spending is not only the key to economic recovery in the short term; it’s also necessary for balanced growth in the long term. If our goal is to repair our damaged economy, we should bank on consumer culture — and that entails a redistribution of income away from profits toward wages, enabled by tax policy and enforced by government spending. (The increased trade deficit that might result should not deter us, since a large portion of manufactured imports come from American-owned multinational corporations that operate overseas.) We don’t need the traders and the C.E.O.’s and the analysts — the 1 percent — to collect and manage our savings. Instead, we consumers need to save less and spend more in the name of a better future. We don’t need to silence the ant, but we’d better start listening to the grasshopper.

## Adv: Political Gridlock

#### Congressional appropriations are corrupt and undercut good investment

Robert McMahon, Editor, February 24, 2009 Transportation Infrastructure: Moving America, http://www.cfr.org/economic-development/transportation-infrastructure-moving-america/p18611

Many experts say transportation infrastructure spending over the past several decades has failed to keep pace with the increasing burden absorbed by the country's roadways, bridges, and mass transit networks. The nonpartisan Congressional Budget Office shows that spending for infrastructure relative to gross domestic product (GDP) declined about 20 percent (PDF) from 1959 to 2004. A number of experts also point to flaws in the manner of funding and planning U.S. infrastructure. Part of that involves abuses in the congressional earmarking process, epitomized by Alaska's so-called Bridge to Nowhere, a once-approved plan, later cancelled, for federal funding to build a $200 million bridge to a remote island.

Another serious problem is coordination between different forms of transportation, experts say. Congress aligns transportation funding with specific modes like highways, rail, and mass transit. It sought to improve coordination between these modes through legislation originating with the 1991 Intermodal Surface Transportation Efficiency Act. But the legislation did little to alter the congressional appropriations approach, the Government Accountability Office, a government watchdog body, found in a 2007 report (PDF). "As a result," the report says, "there is little assurance that projects, including intermodal projects--which could most efficiently meet the nation's mobility needs--will be selected and funded." The failure to achieve such coordination, note Brookings Institution experts Bruce Katz and Robert Puentes, leaves the United States as "one of the few industrialized countries that fails to link aviation, highways, freight rail, mass transit, and passenger rail networks."

#### Public private partnerships solves polarizing American politics – advancing a culture of innovation

Michael Likosky et. al 2011 June, senior fellow at NYU’s Institute for Public knowledge, Josh Ishimatsu, senior fellow at the Center on L aw & Public Finance, and Joyce Miller, senior fellow at the Center on Law & Public Finance, The Social Science Research Council (SSRC) leads innovation, builds interdisciplinary and international networks, “Rethinking 21st - Century Government: Public-Private Partnerships And The National Infrastructure Bank” http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf

Support for partnerships goes deep into the benches of both parties. Senator Orrin Hatch (R-UT) has spoken of our country’s “belief in public-private partnerships that cost the government little and bring a high return on that investment.”10 The mayor of New York C ity, M ichael Bloomberg, an independent, former governor E d Rendell (D-PA), and former governor Arnold Schwarzenegger (R-CA) formed the bipartisan Building America’s Future, a coalition of governors and mayors who support infrastructure partnerships. Governor John H ickenlooper (D-CO) advocates publicprivate partnerships that have “statewide support from stakeholders who understand the increased demand on our transportation system and the financial challenges we face” for moving projects forward.11 Even the conservative Americans for Prosperity is in favor of “implementing more public-private partnerships to build and expand roads.”12 Koch Industries supports a range of partnerships, from road projects,13 to biofuels,14 to oil and gas.15 L ikewise, David K och’s philanthropic investments to combat cancer helped establish the David H . K och Institute for Integrative C ancer Research at the M assachusetts Institute of Technology, which brings together “biologists, engineers, and others in the physical sciences” to address challenges. This innovative approach to problem-solving aims to influence federal spending priorities, increasing National Institutes of Health support for convergence-driven approaches in line with emerging federal trends supported by President O bama and his administration more generally. 16 It points to the dynamism of public-private partnerships and how a culture of innovation, financing, and entrepreneurship can provide a safe harbor in a toxic political environment. Thus, in a period of often immobilizing polarization, public-private partnerships offer a pragmatic way forward informed by an economic philosophy that does not fall neatly in line with political divisions or special interests. Government should seize these opportunities to serve as a catalyst for the identification of common goals and productive avenues that can bring all players together as a team and to promote a team spirit that will allow for constructive compromise when interests diverge and provide continuity across political seasons. But to be an effective player-coach for these public-private partnerships, public agencies must know both the rules of the game and how it is played.

#### Plan checks political gridlock boosting business confidence, and reframes the American political dynamic

Michael Likosky et. al 2011 June, senior fellow at NYU’s Institute

for Public knowledge, Josh Ishimatsu, senior fellow at the C enter on L aw

& Public Finance, and Joyce Miller, senior fellow at the C enter on L aw

& Public Finance, The Social Science Research Council (SSRC) leads innovation, builds

interdisciplinary and international networks, “Rethinking 21st - Century Government: Public-Private Partnerships And The National Infrastructure Bank” http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf

The success of public-private partnerships—and we argue, of America’s economic recovery and revitalization— will hinge on the federal government’s ability to leverage sizeable sums of private capital for effective investment in public infrastructure and to meet the key partnership challenges outlined in this report. A National Infrastructure Bank would provide the requisite capacity to finance, contract, and oversee complex, large-scale projects on an individual basis and as part of a broad portfolio. As an independent entity not sitting under a specific federal agency, a National Infrastructure Bank would be able to make decisions based upon the merits of proposals rather than politics. Its independence would allow the bank to survive transitions in political leadership at the federal, state, and local levels, essential for ensuring that partnership projects, which can run for decades, are durable. To remain attuned to the underlying public needs that drive shifts within leadership, the bank’s governance should incorporate the participation of board members recommended by both parties. Such a bank would be along the lines of the bipartisan American Infrastructure Financing Authority described in the BUILD (Building and U pgrading Infrastructure for L ong-Term Development) Act introduced earlier this year by senators John K erry (D-MA), Kay Bailey H utchison (R-TX), L indsey G raham (R-SC), and M ark Warner (D-VA), with the endorsement of the AFL-CIO and the U S C hamber of C ommerce.20 It also would resemble the proposal made by President Barack Obama on the campaign trail in Janesville, Wisconsin on February 13, 2008 which focused on how a national infrastructure bank could finance an infrastructure platform to attract businesses, jobs, and to broaden economic opportunity.21 These proposals are both especially appealing in their focus on leveraging private dollars to finance projects across multiple sectors, as well as an inclusion of distressed and rural areas. Conclusion Our public life is bombarded by stories of a broken Washington and of greed and “me-firstism” in the private sector, especially within our financial institutions. Too often, we punish efforts to work together as a team, casting it as triangulation, lack of principle, or being in the pocket of one special interest or another. We may be forgiven for this impulse, for a skepticism toward the idea that public-private partnerships could genuinely advance the public interest, given not only the depth of the financial crisis and its uneven brunt but also the decades-long neglect of the American economy, in particular our country’s infrastructure. Still, as this report documents, we do cooperate and can certainly find ways of working together more frequently and effectively. The restoration of confidence, trust, and business certainty—a precondition to our recovery and reinvestment—depends upon public agencies instilling a team ethos among today’s combatants, which cannot be accomplished by calling the shots from the sidelines. For our public officials to work together productively across party lines and alongside members of the private sector and the nonprofit world, our federal agencies must re-envision themselves as player-coaches, with a clear stake in the outcome of the game and an active position on the team. The government’s role cannot be simply providing a subsidy to a private firm. In an era of outcry against government spending, federal agencies must identify and cultivate ways of catalyzing critical projects without relying solely on the power of the public purse. In many ways, the challenge we face today resembles the one America faced in the latter half of the 1930s, when the country risked a double-dip depression. Having used public funds to claw our way out of a deep financial crisis, we turned to repairing our public balance sheet. When the economy faltered again, Marriner Eccles, the chairman of the Federal Reserve, worried that our mounting debts and real need for public investment would be hampered by a prevalent sentiment that “unwise spending seems to be spending for the other fellow.”22 To keep the economy moving, Eccles, President Roosevelt, and the secretary of the treasury, H enry M orgenthau Jr., advocated for publicprivate partnerships, quasi-public agencies, and selfliquidating projects. The Tennessee V alley Authority was one such initiative, which Roosevelt described as a “corporation clothed with the power of government but possessed of the flexibility and initiative of a private enterprise.”23 America’s current debt crisis will not disappear overnight. We must find ways to continue to delever our public balance sheet while also making infrastructure investments that will enable and drive economic growth. Public-private partnerships are an opportunity to move our country forward with the least possible outlay of public funds. Whereas politicians across political parties have focused on an ethos of shared sacrifice to support deficit reduction, partnerships tug upon a different public value—the social compact of working together as a team toward a shared victory. Our experience with successful public-private partnerships gives us cause for hope—and a game plan for winning the future.

#### Extreme political division undermines democracy and is a motive for terrorism

Cass, Sunstein, an American legal scholar, particularly in the fields of constitutional law, administrative law, environmental law, and law and behavioral economics, who currently is the Administrator of the White House Office of Information and Regulatory Affairs Republic.com 2.0, 2007, p. xii

In the years since the book was originally written, many people all over the world have become even more concerned about the risks of a situation in which like-minded people speak or listen mostly to one another. That concern has been fueled in part by the rise of terrorism, which becomes possible in part as a result of some of the social dynamics discussed here. But the dangers of echo chambers go well beyond terrorism. Democracy does best with what James Madison called a “yielding and accommodating spirit,” and that spirit is at risk whenever people sort themselves into enclaves in which their own views and commitments are constantly reaffirmed. As we shall see, such sorting should not be identified with freedom, and much less with democratic self-governance.

#### Only democracy produces individual and political freedom – all impacts are inevitable without it

John Norton **Moore**, Brown Professor of Law at the University of Virginia, former Chairman of the Board of the United

States Institute of Peace, Winter **2004**, Virginia Journal of International Law Association, 44 Va. J. Int’l L. 341, p. 354-6

Once we realize that the correlation with government structures holds across a wide range of the most important human goals and that nondemocratic structures and a lack of human freedom go hand in hand with a wide variety of failures, including **war, terrorism, democide, famine, poverty, environmental degradation, corruption, narcotics trafficking**, n50 **infant mortality,** n51 **and refugees**, inquiry is pointed in the direction of a general explanation for this government failure in nondemocratic regimes. n52 The explanation is almost certainly a broad mosaic of differences inherent in governance rooted in democracy and the rule of law versus governance rooted in statist models. We are all familiar with the historical reality that one major strand of thought about government runs from Aristotle through the Roman Republic, Magna Carta, Locke, Montesquieu, Madison, and the French Declaration of the Rights of Man, among other sources, to democracy, the rule of law (instead of rule by law), and empowerment of the individual. Another principal competing strand, with particularly disastrous consequences in the twentieth century, leads from Plato’s “philosopher kings” through Machiavelli, Hobbes, Hegel, and Nietzsche to glorification of statist solutions, totalitarian leaders and war, and a disdain for human freedom and the individual. It was this latter tradition that produced Fascism, Leninism, Maoism, and a host of deadly totalitarian regimes from that of Pol Pot in Cambodia to that of Saddam Hussein in Iraq. These major competing theories about government reflect a myriad of fundamental differences likely to influence comparative levels of government failure. For example, in the democratic model, state leaders are likely to excel in rhetoric and popular appeal, as with a Margaret Thatcher or Tony Blair. In contrast, whatever their skills in rhetoric (and Adolf Hitler, for example, was a powerful speaker), statist leaders are likely to be specialists in **violence and ruthless exercise of power** (Hitler, again, provides a prime example, eventually declaring himself the supreme law giver). In many cases, as with Saddam Hussein, they will have assumed power by killing the opposition, and, as with Hitler and Stalin, they may be specialists in aggregating power and killing off any perceived challenge to their rule. More broadly, in the nondemocratic regimes it is accepted that **the end justifies any means**, there is no meaningful check of the rule of law on government itself, and human freedom is subordinate to the collective (Pol Pot’s Kafkaesque paradise was an exemplar of all these traits). Most broadly, in such regimes the elites may virtually unilaterally make the decisions, and they have the ability to personally obtain the benefit of actions while imposing the cost on others. These differences in government structure, with their associated ideological differences, are accompanied by great differences in culture and expectations as to modes of resolution of conflict, checks, or lack thereof, on regime elites, and levels of human freedom. n53 These critical differences in human freedom in turn encompass both political freedoms, such as freedom of speech and association, and economic freedoms, such as protection of property and contract rights. In short, the differences at the extreme between totalitarian and liberal democratic systems are profound. They certainly include structural and normative differences, as well as different modes of interaction in crisis bargaining, but their scale of difference is far more pervasive than the current debate on the “cause” of the democratic peace may typically suggest. It is no exaggeration to speak of competing cultures of democracy and statism. n54

#### Political extremism risks terrorism and economic collapse

Cass Sunstein an American legal scholar, particularly in the fields of constitutional law, administrative law, environmental law, and law and behavioral economics, who currently is the Administrator of the White House Office of Information and Regulatory Affairs, *Going to Extremes* – 2009, pg. ch 1

What explains the rise of fascism in the 1930s? The emergence of student radicalism in the 1960s? The growth of Islamic terrorism in the 1990s? The Rwandan genocide in 1994? Ethnic conflict in the former Yugoslavia and in Iraq? Acts of torture and humiliation by American soldiers at Abu Ghraib prison? The American financial crisis of 2008? The widespread belief, in some parts of the world, that Israel or the United States was responsible for the attacks of September 11, 2001? And what, if anything, do these questions have to do with one another? Here is a clue. Some years ago, a number of citizens of France were assembled into small groups to exchange views about their president and about the intentions of the United States with respect to foreign aid. 1 Before they started to talk, the participants tended to like their president and to distrust the intentions of the United States. After they talked, some strange things happened. Those who began by liking their president ended up liking their president significantly more. And those who expressed mild distrust toward the United States moved in the direction of far greater distrust. The small groups of French citizens became more extreme. As a result of their discussions, they were more enthusiastic about their leader, and far more skeptical of the United States, than similar people in France who had not been brought together to speak with one another. This tale reveals a general fact of social life: Much of the time, groups of people end up thinking and doing things that group members would never think or do on their own. This is true for groups of teenagers, who are willing to run risks that individuals would avoid. It is certainly true for those prone to violence, including terrorists and those who commit genocide. It is true for investors and corporate executives. It is true for government officials, neighborhood groups, social reformers, political protestors, police officers, student organizations, labor unions, and juries. Some of the best and worst developments in social life are a product of group dynamics, in which members of organizations, both small and large, move one another in new directions. Of course, the best explanations of fascism are not adequate to explain student rebellions, and even if we understand both of these, we will not be able to explain ethnic conflict in Iraq, the Rwandan genocide, abuse and brutality at Abu Ghraib, conspiracy theories involving Israel, or the subprime crisis. For particular events, general explanations can uncover only parts of the picture. But I do aim to show striking similarities among a wide range of social phenomena. The unifying theme is simple: When people find themselves in groups of like-minded types, they are especially likely to move to extremes. And when such groups include authorities who tell group members what to do, or who put them into certain social roles, very bad things can happen. In exploring why this is so, I hope to see what might be done about unjustified extremism—a threat to security, to peace, to economic development, and to sensible decisions in all sorts of domains. My emphasis throughout is on the phenomenon of group polarization. This phenomenon offers large lessons about the behavior of consumers, interest groups, the real estate market, religious organizations, political parties, liberation movements, executive agencies, legislatures, racists, judicial panels, those who make peace, those who make war, and even nations as a whole.

GROUPS AND EXTREMISM When people talk together, what happens? Do group members compromise? Do they move toward the middle of the tendencies of their individual members? The answer is now clear, and it is not what intuition would suggest: Groups go to extremes. More precisely, members of a deliberating group usually end up at a more extreme position in the same general direction as their inclinations before deliberation began.2 This is the phenomenon known as group polarization. Group polarization is the typical pattern with deliberating groups. It is not limited to particular periods, nations, or cultures. On the contrary, group polarization has been found in hundreds of studies involving more than a dozen countries, including the United States, France, Afghanistan, New Zealand, Taiwan, and Germany.3 It provides a clue to extremism of many different kinds. Consider four examples: 1. White people who tend to show significant racial prejudice will show more racial prejudice after speaking with one another. By contrast, white people who tend to show little racial prejudice will show less prejudice after speaking with one another.4 2. Feminism becomes more attractive to women after they talk to one another—at least if the women who are talking begin with an inclination in favor of feminism.5 3. Those who approve of an ongoing war effort, and think that the war is going well, become still more enthusiastic about that effort, and still more optimistic, after they talk together. 4. If investors begin with the belief that it is always best to invest in real estate, their eagerness to invest in real estate will grow as a result of discussions with one another. In these and countless other cases, like-minded people tend to move to a more extreme version of what they thought before they started to talk. Suppose in this light that enclaves of people are inclined to rebellion or even violence and that they are separated from other groups. They might move sharply in the direction of violence as a consequence of their self-segregation. Political extremism is often a product of group polarization,6 and social segregation is a useful tool for producing polarization. In fact, a good way to create an extremist group, or a cult of any kind, is to separate members from the rest of society. The separation can occur physically or psychologically, by creating a sense of suspicion about nonmembers. With such separation, the information and views of those outside the group can be discredited, and hence nothing will disturb the process of polarization as group members continue to talk. Deliberating enclaves of like-minded people are often a breeding ground for extreme movements. Terrorists are made, not born, and terrorist networks often operate in just this way. As a result, they can move otherwise ordinary people to violent acts.7 But the point goes well beyond such domains. Group polarization occurs in our daily lives; it involves our economic decisions, our evaluations of our neighbors, even our decisions about what to eat, what to drink, and where to live. To understand the nature of the basic phenomenon and its power and generality, let me outline three studies in which I have personally been involved.

### Gridlock Impacts

#### Gridlock bad- tanks stock prices

Cox 10 (October 29,Cox is a senior writer for CNBCCNBC, “Why Gridlock May Actually Be Bad for Economy, Stocks” http://www.cnbc.com/id/39912787/Why\_Gridlock\_May\_Actually\_Be\_Bad\_for\_Economy\_Stocks)

"The perception initially will be that gridlock is going to be good because it will take some uncertainty off the table. It will be less likely that we see sweeping legislation coming through Congress," says David Twibell, president of wealth management at Colorado Capital Bank in Denver. "Looking a little bit longer term, we need to have the government playing a positive role in some of these issues. If what we get is just a lot of arguments I question whether that's really a good thing."¶ Standard & Poor's has evaluated the data of what actually does happen to stocks during a divided government, and the answers might be surprising. The study examined three conditions: Total unity, when one party controls the White House, Senate and House of Representatives; partial gridlock, where one party controls both houses of Congress and another the White House; and total gridlock, when Congress is split.¶ Of the three scenarios, the best comes not when government is divided but actually during total unity, under which the S&P 500 [.SPX 1356.78 22.02 (+1.65%) ] has seen a 10.7 percent post-World War II return. The worst? When there is total gridlock, when the benchmark has gained just 3.5 percent.

#### Gridlock Bad- causes economic instability and harm in the long run

Paul R. La Monica 10 (November 3, La Monica is editor at large, CNNMoney “Good news! Gridlock. Bad news! Gridlock” http://money.cnn.com/2010/11/03/news/economy/thebuzz/index.htm)

Sure, there is no doubt that the United States has to show more fiscal restraint. But some think the notion that the government can't create jobs or should have no role in managing the economy is a mistake.¶ "Gridlock may mean the potential for smaller deficits but the economy is still not fully capable of standing on its own two feet. Some fiscal support would probably be warranted," said Tom Higgins, global macro strategist with Standish, an asset management firm in Boston.¶ Higgins conceded that the federal government can't fix the economy. But he said it could help prevent another major downturn. He argued that tax incentives to spur hiring could be a way for the government to actually help the economy.¶ "When the economy is growing as slowly as it is right now, it's more susceptible to shocks," he said. "Growth is going to be sluggish whether there is fiscal stimulus or no fiscal stimulus. But the government could lessen the downside risks."

## Adv: Budget

#### An NIB is budget neutral and will save the US economy

Felix G. Rohatyn and Everett Ehrlich, October 9, 2008 “A New Bank to Save Our Infrastructure,”

<http://www.nybooks.com/articles/archives/2008/oct/09/a-new-bank-to-save-our-infrastructure/?page=1>

A final question concerns paying for this new infrastructure policy. As we noted above, the first source of financing should come from the funds now dedicated to existing infrastructure programs—about $60 billion annually could be taken from these programs with a balance left over. And there is nothing wrong with continuing to charge users a motor fuels tax, an air ticket surcharge, port fees, and other fees that now are imposed for using infrastructure. But two further points should be made.

First, we can increase our investments in infrastructure and still have fiscal discipline. There is no shortage of options for raising revenue for investment purposes while still making the tax system more efficient and fair—two examples are a consumption or value-added-tax (perhaps partially offset by lower income taxes to maintain progressivity) or a carbon tax or energy tax. And since it would target its subsidies more effectively, the bank would get more investment out of existing budgetary resources while adhering to the “pay as you go” (PAYGO) budget rules used by Congress, which call for each new dollar of spending to be offset by a dollar of reduced spending or increased revenue elsewhere. At the same time, the bank’s financial statements would take us one step closer to having the information that a capital budget would provide—most critically, whether we are investing in infrastructure faster than it is depreciating or becoming obsolescent.

The second point is the matter of fiscal stimulus. Bloomberg, Rendell, and Schwarzenegger have recently urged that increased spending on infrastructure be the center of a new stimulus package, as have House Speaker Nancy Pelosi and former Treasury Secretary Lawrence Summers.4 This is an attractive prospect—an additional $40 billion in infrastructure investment could create as many as a million new jobs. We share this objective,5 but believe the best way to accomplish it is through an immediate revenue-sharing grant to states and cities for these purposes. In the interim, a bank along the lines described here and in the Dodd-Hagel bill could be set up and put into operation within a year.Ultimately, we face a future of mass transit strained beyond capacity, planes sitting on tarmacs, slow traffic and wasteful sprawl, ports that lack the capacity to operate efficiently, and increasing numbers of bridges and dams that are obsolescent and dangerous to the public’s health and safety—in short, the dire prognosis of the American Society of Civil Engineers is coming true. Regardless of the government’s fiscal position, vital investments in transportation, water supply, education, and clean energy are necessary to maintain our future standard of living. Our political system pours money into war and tax breaks while relying on deficit finance. Those in charge then announce that there are no resources left to secure our economic future. The new bank we propose offers one alternative to such a dangerous set of policies.

#### Every delay increases burdens on the budget and risks economic failure

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

There will be some, Mr. Chairman, who will say that we cannot afford to meet our infrastructure needs, that our budget deficits are too large and that our borrowing is too great. The reality, Mr. Chairman, is that we cannot afford not to do this. Every year that we delay will cause additional deficits and additional losses in productivity and employment. One of the most basic accounting concepts is the difference between capital investments on the one hand, and operating expenses on the other. It is true that our operating expenses are excessive and possibly out of control, much of it due to the war in Iraq. On the other hand, our capital investments are woefully inadequate and can be leveraged in a number of ways through the National Infrastructure Bank.

To compete in the global economy, improve our quality of life and raise our standard of living, we must successfully rebuild America’s public infrastructure. It is with a sense of urgency that we call upon the members of this committee, from both sides of the aisle, to begin this process by approving the National Infrastructure Bank Act of 2007. In so doing, you will follow in the footsteps of great American leaders who adopted a fresh perspective on our national wealth and how to increase it.

#### Perception of budget restraint is key - foreign investors will stop financing us and the world economy will implode

Bergsten2009 – C. Fred, Director of the Institute for International Economics, former Assistant Secretary of the Treasury for International Affairs and Assistant for International Economic Affairs to the National Security Council (“The Dollar and the Deficits,” Foreign Affairs, lexis)

A first step is to recognize the dangers of standing pat. For example, the United States' trade and current account deficits have declined sharply over the last three years, but absent new policy action, they are likely to start climbing again, rising to record levels and far beyond. Or **take the dollar. Its role as the dominant international currency has made it much easier for the United States to finance, and thus run up, large trade and current account deficit**s with the rest of the world over the past 30 years. These huge inflows of foreign capital, however, turned out to be an important cause of the current economic crisis, because they contributed to the low interest rates, excessive liquidity, and loose monetary policies that—in combination with lax financial supervision—brought on the overleveraging and underpricing of risk that produced the meltdown. It has long been known that **large external deficits pose substantial risks to the US economy because foreign investors might at some point refuse to finance these deficits** on terms compatible with US prosperity. **Any sudden stop in lending to the United States would drive the dollar down, push inflation and interest rates up, and perhaps bring on a hard landing for the United States—and the world economy at large**. But it is now evident that it can be equally or even more damaging if foreign investors do finance large US deficits for prolonged periods. US policymakers, therefore, must recognize that large external deficits, the dominance of the dollar, and the large capital inflows that necessarily accompany deficits and currency dominance are no longer in the United States' national interest. Washington should welcome initiatives put forward over the past year by China and others to begin a serious discussion of reforming the international monetary system. If the rest of the world again finances the United States' large external deficits, the conditions that brought on the current crisis will be replicated. To a large extent, the US external deficit has an internal counterpart: the budget deficit. Higher budget deficits generally increase domestic demand for foreign goods and foreign capital and thus promote larger current account deficits. But the two deficits are not "twin" in any mechanistic sense, and they have moved in opposite directions at times, including at present. The latest projections by the Obama administration and the Congressional Budget Office (CBO) suggest that both in the short run, as a result of the crisis, and over the next decade or so, as baby boomers age, the US budget deficit will exceed all previous records by considerable margins. The Peterson Institute for International Economics projects that the international economic position of the United States is likely to deteriorate enormously as a result, with the current account deficit rising from a previous record of six percent of GDP to over 15 percent (more than $5 trillion annually) by 2030 and net debt climbing from $3.5 trillion today to $50 trillion (the equivalent of 140 percent of GDP and more than 700 percent of exports) by 2030. The United States would then be transferring a full seven percent ($2.5 trillion) of its entire economic output to foreigners every year in order to service its external debt. This untenable scenario highlights a grave triple threat for the United States. If the rest of the world again finances the United States' large external deficits, the conditions that brought on the current crisis will be replicated and the risk of calamity renewed. At the same time, increasing US demands on foreign investors would probably become unsustainable and produce a severe drop in the value of the dollar well before 2030, possibly bringing on a hard landing. And even if the United States were lucky enough to avoid future crises, the steadily rising transfer of US income to the rest of the world to service foreign debt would seriously erode Americans' standards of living. Hence, new record levels of trade and current account deficits would likely levy very heavy costs on the United States whether or not the rest of the world was willing to finance these deficits at prices compatible with US prosperity. Washington should seek to sharply limit these external deficits in the future—and it is encouraging that the Obama administration has indicated its intention to move in that direction, opting for future US growth that is export-oriented, rather than consumption-oriented, and rejecting the role of the United States as the world's consumer of last resort. **Balancing the budget is the only reliable policy instrument for preventing such a buildup of foreign deficits and debt** for the United States. As soon as the US economy recovers from the current crisis, **it is imperative that US policymakers restore a budget that is balanced** over the economic cycle and, in fact, runs surpluses during boom years. Measures that could be adopted now and phased in as growth is restored include containing the cost of medical care, reforming Social Security, and enacting new taxes on consumption. **The** US **government's continued failure to responsibly address the fiscal future** of the United States **will imperil its global position as well as its future prosperity**. The country's fate is already largely in the hands of its foreign creditors, starting with China but also including Japan, Russia, and a number of oil-exporting countries. **Unless the U**nited **S**tates **quickly achieves and maintains a sustainable economic position, its ability to pursue autonomous economic and foreign policies will become increasingly compromised.**

#### U.S. economy is on the brink now—continuing down this path will end the economy

Powell 12 - Senior Fellow at the Discovery Institute (Scott, "We're Closer to a Credit Crisis than Most People Think", The Wall Street Journal, 6/19/12, http://online.wsj.com/article/SB10001424052702303703004577474543438682700.html)//SP

The fact is **the U.S. is close to the "bang" point of crisis right now**. **Government pensions, Social Security, Medicare and Medicaid, and the welfare and education budgets are projected to absorb more than the $2.5 trillion tax-revenue base this fiscal year**. Thus, the **defense budget,** plus general government operations—including police, prisons and courts, transportation, agriculture and basic research—**are** **already being funded by debt-financed deficit spending**. As for the debt-to-GDP ratio, Moody's and S&P have pointed out that when state and city municipal bond debt and the debt of Fannie Mae and Freddie Mac (now wards of the state) are added to the national balance sheet, **public debt today in the U**nited **S**tates **exceeds 100% of our GDP**. In addition, at the present level of indebtedness, each 1% increase in interest rates adds $116 billion to the budget in terms of nondiscretionary debt-servicing costs. The U.S. has benefitted from the fact that fiscal problems elsewhere are more obvious, but the **S&P downgrade last summer was a warning of the close proximity of the bang point**, **when** **the** credit-worthiness of the **U.S. will collapse.**

### Ext:

#### Status quo and Future transportation infrastructure requirements will strain our budgets – the NIB is a key budget neutral solution

Felix G. Rohatyn and Everett Ehrlich, October 9, 2008 “A New Bank to Save Our Infrastructure,”

<http://www.nybooks.com/articles/archives/2008/oct/09/a-new-bank-to-save-our-infrastructure/?page=1>

These are rare times of ferment in one of the most neglected fields of public policy—the nation’s infrastructure, or what used to be known as public works, including roads, mass transit, bridges, ports and airports, flood control systems, and much else. We have been confronted with spectacular and tragic evidence of the inadequacy of these facilities in the failure of the levees in New Orleans and in the collapse of the I-35 bridge in Minneapolis. More generally, a recent report by the American Society of Civil Engineers concludes that America’s infrastructure overall is close to “failing” and deserves a grade of “D.” It estimates that an investment of $1.6 trillion will be needed to bring it up to working order.

According to the report, nearly 30 percent of the nation’s 590,750 bridges are “structurally deficient or functionally obsolete” and it will take “$9.4 billion a year for 20 years to eliminate all bridge deficiencies.” “The number of unsafe dams has risen by 33 percent to more than 3,500.” Public transit facilities—including buses, subways, and commuter trains—are dangerously under-funded, even as demand for them has “increased faster than any other mode of transportation.” Current funding for safe drinking water amounts to “less than 10 percent of the total national requirement,” while “aging wastewater management systems discharge billions of gallons of untreated sewage into US surface waters each year.” Yet government investment in these vital facilities is generally held to be below the level needed simply to maintain them in their current poor state.

The gap between our economy’s need for functioning infrastructure and what is being invested in it has aroused much concern. Tired of waiting for Washington to recover the vision and energy it once devoted to the problem, Governor Arnold Schwarzenegger convinced California voters in 2006 to approve $20 billion in bonds to finance the repair and construction of roads and bridges in the state as well as public transit systems and other facilities. Together with Governor Ed Rendell of Pennsylvania and New York Mayor Michael Bloomberg, Governor Schwarzenegger has also formed a bipartisan group called Building America’s Future, which aims to find better ways to address the crisis. A second group, the Transportation Transformation Group, led by, among others, former House majority leader Dick Gephardt and General Barry McCaffrey, former US Southern Forces commander and drug czar, has a similar mission and the backing of Goldman Sachs.

Along with the Australian company Macquarie, Goldman Sachs is also among a new group of investors who are taking part in private refinancings of toll roads such as the Chicago Skyway, the Indiana Toll Road, and now perhaps the Pennsylvania Turnpike and the New Jersey Turnpike. Under those arrangements, the state or city sells the road and the right to set and collect tolls on it to a private company—in essence, a new form of government borrowing.

The last element of this mounting interest in the problem of infrastructure is public frustration at the costs to consumers of poorly maintained roads, bridges, transit systems, and airports. The average American motorist incurred $710 in lost time and fuel costs in 2005, well before the price of oil went over $100 per barrel. Air travelers fare no better—there were 1.8 million hours of flight delays in the US in 2007, many of which were caused by demands for runways that exceeded supply. Shippers report increasing frustration with the nation’s ports. According to the American Society of Civil Engineers, it will take over a quarter of a trillion dollars to bring the nation’s public school buildings up to “good” condition. And the demand for all of these services will increase further with population growth and economic activity.

But while private investors and states and cities are devoting more attention to this, the federal government has failed to provide the leadership it alone can supply. Federal spending on infrastructure, corrected for inflation, is actually lower than it was in 2001, despite the growing economy, the well-known disrepair and obsolescence of our assets, and the rising costs of their inadequacy. And this level of spending, as a share of GDP, is much lower than it was two or three decades ago.

Throughout US history, competent public investment decisions have been an essential complement to private investment, from the Louisiana Purchase and the Land Grant Colleges to the Interstate Highway System and the Internet. And the functions of infrastructure are still as essential as they have ever been, if not more so. Indeed, The Economist reports that China will spend $200 billion on its railways between 2006 and 2010—the largest investment in railroad capacity made by any country since the nineteenth century—while the US rail system continues to become more and more degraded at a time of great potential renewal. The Chinese also plan over the next twelve years to construct 300,000 kilometers of roads in rural China, as well as ninety-seven new airports. The Chinese understand that economic power depends on these investments.

In an effort to confront this problem, Congressman John Mica, the ranking Republican member of the House Transportation Committee, recently called for a trillion-and-a-half-dollar infrastructure spending program, under both public and private sponsorship. But where would the money come from? The Iraq war drains our national resources, and the 2001 cuts in personal income, capital gains, and inheritance taxes have slashed federal revenues. Meanwhile, several presidential candidates, including the Republican nominee, Senator John McCain, were unable to resist the temptation to endorse a motor fuels tax “holiday,” which would produce negligible saving for motorists but cut even further needed federal revenues. Thus, when it comes time for investments in our future, the federal cupboard is bare.

This public penury is lamentable, but it conceals a second and perhaps even more fundamental problem with federal policy: not only do we fund infrastructure inadequately, but the policies we have in place are incapable of funding the needed projects or creating the incentives to manage correctly what’s already been built. This is the unseen and ultimately more critical part of the infrastructure crisis—the extent to which our spending programs are misdirecting our investments away from the best opportunities.

2.

Responsibility for the nation’s infrastructure is currently spread across federal, state, and local governments. For example, the federal government is responsible for maintaining wastewater systems, while states and municipalities handle drinking water. The federal government helps states, cities, and towns build and operate mass transit systems; and it builds bridges that are part of the Interstate system, while local governments build local roads and the picturesque covered bridges that appear on tourist postcards. Most of the federal government’s $73 billion budget for infrastructure in 2007 was spent on a handful of “modal” programs dedicated to promoting the construction and major rehabilitation of specific types of infrastructure, or “modes”—the Federal-Aid Highway Program, the Airport Improvement Program, the Transit Formula and Bus Grant Program, and the Army Corps of Engineers’ water resource programs, among others.

While details of these programs vary, their basic workings are similar. States and cities propose projects to each of these “programs.” The federal government then decides which projects to pursue, either funding all or most of the cost of those projects, or sending blocks of money to state capitals (as does the Highway Trust Fund), where state governments dole it out. Except for the Corps of Engineers, however, infrastructure program officials administer grants rather than carry out construction and other work.

Some projects (often navigation or water resource development) benefit from selective congressional patronage—either so-called “earmarks” (special bequests for the pet projects of specific representatives or senators, such as the infamous Alaskan “bridge to nowhere”) or deals cut between Congress and the agencies. These deals are typically used for such water projects as the St. John’s Bayou–New Madrid Floodway Project in southeast Missouri, described by the corps’s own officials as an “economic dud with huge environmental consequences” and “a bad project. Period.”1

In the first part of the twentieth century, the nation was still developing highway and airport systems, and these methods of financing worked. States were eager to get federal funds to integrate their roads and airports into the new national networks. But that job was substantially done by the 1980s, and we now find ourselves, as General Heinz Guderian remarked, fighting the next war with the tools of the last one. Sending federal money to state capitals to fund 90 percent of whatever road construction state legislatures choose does little to further projects of national scope or genuine economic value. Moreover, the availability of funds to build new roads often blunts the incentive to repair and maintain existing roads until their deficiencies become pressing enough to warrant reconstruction. Thus, little has been done to maintain the Interstate Highway System, despite the fact that major sections are falling into disrepair, and repairing them is estimated to provide the taxpayers with the highest economic returns among highway projects today—much higher than the returns from building new roads.

Federal grants for water projects create other disincentives. If the Corps of Engineers doesn’t get around to funding a city’s project, then that city has every reason to wait for the next budget cycle instead of looking for other solutions. The result is lethargy and delay. The federal government will typically pay for levees, but not to preserve wetlands that provide natural flood protection by absorbing torrential rain. Moreover, by shielding local users from the true cost of living on flood plains, federal programs encourage development in areas that cannot sustain it.

Hurricane Katrina demonstrated the potentially devastating consequences of these failures. The state of Louisiana and its municipalities built flood control systems around levees while ignoring the deterioration of fragile wetlands in the Mississippi Delta. Louisiana’s congressional delegation steered federal funds toward navigation projects instead of flood control.

Particularly unfortunate is the failure of government to consider alternatives to new infrastructure construction. As the residents of any major American city understand, there are few places left to build new roads to relieve urban congestion or to expand or build new airports to reduce delay. Sooner or later, the officials in charge must consider managing road and airport use through pricing. They may auction off landing slots during peak rush hour periods2 or reserved lanes for drivers paying congestion tolls, much as we have “high-occupancy” lanes today. Or, as Mayor Bloomberg bravely proposed in New York, they may impose fees for bringing an automobile during business hours into the most congested part of Manhattan, a program that has been enormously successful in London.

In a world of $4-a-gallon gas and $40,000-a-year college, raising tolls will be unpopular with many families, whether poor or well-to-do. But we must either accept congestion and delay—together with ever more deteriorating and dangerous infrastructure—or use tolls to limit public use while providing a new source of revenue for transportation improvements. London now realizes about $400 million annually from the fees it charges to drive into the city; and it has used these revenues to expand dramatically its bus fleet. New York’s revenue would likely be higher, and would support any number of mass transit programs that would benefit lower-income users and commuters generally.

Another consequence of having different government programs dedicated to different types of infrastructure—whether highways, water projects, or wastewater treatment—is the creation of bureaucratic fiefdoms that are inevitably held captive to the “iron triangle” of congresspeople, lobbyists, and thebureaucrats themselves, as has happened in the case of the Highway Trust Fund and the Army Corps of Engineers. As a result, these programs never compete with one another. No responsible body has the mission of impartially deciding whether we’d be better off with more mass transit and better train service and fewer major roads, because these are never compared when a specific proposal is under review. Moreover, the different agencies that analyze projects—if they do so—generally use different (and self-interested) criteria for determining such critical variables as the value of time, the value of new jobs created, the discount rate, the cost of capital, and so on.3 As a result, the public is left without the apples-to-apples comparisons that any rational investor would use to allocate a portfolio of billions of dollars of investment.

So the “modal” infrastructure programs, rather than competing efficiently for resources, all lurch forward without coordination or attention to the merits of the specific projects they choose to fund. And that is in cases when the programs are not directly muscled through by politicians. The term “earmark” became popular during the writing of the 2005 transportation bill, which contained over six thousand of them (with a total cost of $24 billion), compared to five hundred of them in 1991 and ten in 1982.

3.

In view of the waste and inadequacies of existing federal and state policies, how can we begin to address the growing infrastructure crisis? In September 2004, former Senator Warren Rudman and one of the authors of this essay, Felix Rohatyn, agreed to chair a Commission on Public Infrastructure at the Center for Strategic and International Studies (CSIS) in Washington, D.C., to outline a new and different approach to selecting, financing, and managing infrastructure. Last year, the commission produced a consensus report; and a bill to enact its approach, the National Infrastructure Bank Act of 2007, has been submitted by Senators Chris Dodd (D., Connecticut) and Chuck Hagel (R., Nebraska), both of whom served as members of the CSIS commission. A companion bill has been offered in the House of Representatives by Banking Committee Chairman Barney Frank (D., Massachusetts) and Representative Keith Ellison (D., Minnesota); while a similar approach has been proposed in a bill introduced by Representative Rosa DeLauro (D., Connecticut). Barack Obama has spoken of the need for “a National Infrastructure Reinvestment Bank that will invest $60 billion over ten years…. The repairs will be determined not by politics, but by what will maximize our safety and homeland security; what will keep our environment clean and economy strong.”

The central idea of the CSIS commission proposal is to establish a National Infrastructure Bank, an institution that would be similar to the World Bank, a private investment bank, or any other entity that evaluates project proposals and assembles a portfolio of investments to pay for them. Traditionally, public financial institutions such as the one we propose are created to correct problems in capital markets, whether they be the failure of markets to fund projects that support development in the world’s poorest nations or their undue pessimism regarding the long-term solvency of a particular city or state government. This is not the case here. State and local governments generally can borrow for infrastructure purposes in line with their ability to service debt and the strength of their credit ratings. The issue here is not the efficiency of capital markets but rather the efficiency with which federal programs work and spend funds. The purpose of the National Infrastructure Bank would be to use federal resources more effectively and to raise additional funding. We propose this bank because we believe that markets for capital do work and can be harnessed to solve the critical shortfall in funding infrastructure.

The bank would replace the various “modal” programs for highways, airports, mass transit, water projects, and other infrastructure, streamlining them and folding them together into a new entity with a new culture and purpose. Any project seeking federal participation over a set dollar threshold would have to be submitted to this bank. (Smaller projects would be left to states, cities, and towns, perhaps with an accompanying federal grant to be used at the discretion of the state or local government.) Rather than receiving grants through pre-set federal formulas or privileged congressional payments, states, cities, or other levels of government would come to the bank with proposals they wished to pursue. These proposals—for, say, a new or improved highway, a subway, expanded airport, or harbor improvements—would outline the investment that state and local governments would be willing to make, what the users of the project would be expected to pay, and what support was wanted from the federal government.

The bank would have no preconceived, overarching plan for the nation’s infrastructure. Proposals for infrastructure investment would still predominantly come from state and local governments. Our plan would preserve almost entirely the existing balance of power between federal, state, and local government, but would change dramatically the way priorities are set and projects funded. That is because it would proceed project-by-project, and dollar-by-dollar, to find the best use of federal resources.

The bank would have a board of directors that included key Cabinet officers and members appointed by both the executive branch and congressional leadership; its chief executive would be appointed by the president and confirmed by the Senate. The Federal Reserve, the Public Company Accounting Oversight Board, and the Pension Benefit Guarantee Corporation are all good examples of comparable agencies with expert and important missions that have consistently functioned well. The bank would require states, cities, or other sponsoring entities to seek federal assistance only after they have thought through alternatives such as tolls and other user charges, such as the adjustment of prices to peak loads on the roads and airports or the availability of other solutions that do not require new, burdensome structures. These would include wetlands for flood control or changing speed limits and the use of “smart” traffic systems that allow more cars to use the same limited road space more efficiently. The bank would be in a good position to ask whether applicants were aware of alternatives and had considered the most efficient technology.

Imagine, for example, that the bank received a proposal from a state for a new highway segment and found, using its consistent analytic approach, that the plan had legitimate national benefits. It could then provide support in several ways. It could simply write a check to the state building the road and provide a direct subsidy for some portion of the total cost. Alternatively, it could purchase credit guarantees for the state bonds that financed the roads; or it could provide interest rate subsidies to reduce the rate paid on those bonds. It could lend the money directly to the state and be repaid from tolls; or it could provide sinking funds (funds sometimes set aside to guarantee the repayment of the bond), or underwrite the state’s bond offering (guaranteeing that all of the bonds will be purchased at a predetermined price), or take other steps. States and municipalities, of course, could continue to borrow from public markets as they do now; what would change is the federal government’s financing role.

The bank’s ability to sell securities based on its infrastructure projects such as roads and bridges would also resolve a major quandary of infrastructure policy—how to manage the influx of private money into particular projects. State and local governments too often sell highways and other transportation networks to private investors because they have been unable to raise tolls to sufficient levels, and as a result they risk selling these on the cheap or other bad terms. San Diego has approved a plan to let a private company build a private toll road with the promise that no other road would compete with it for the indefinite future. Chicago’s lease of its Skyway road system to a partnership of the Spanish firm Cintra and Macquarie will last for ninety-nine years, far longer than the road itself will! And if local governments use the receipts of such one-off sales for “rainy day” funds or other operating expenditures, they are making their long-term fiscal situations worse, not better.

Although private investors have successfully built new roads in places such as Poland and Spain, they have not done so extensively in the US. But a National Infrastructure Bank could redirect private efforts away from refinancing old facilities—as in the case of Chicago’s Skyway—to building new ones. According to our plan, most of the funds the federal government now spends on existing programs (along with many of those program’s experts and facilities) would be transferred to the bank, which could not only finance the projects but also resell the loans it makes to investors in capital markets, much as other assets are rebundled for investors. The receipts from these sales would allow a new round of lending, giving the bank an impact far in excess of its initial capitalization. Moreover, selling the loans it makes to private investors would require the bank to convince those investors that its projects are tenable and capable of producing tangible benefits—in short, the bank’s project selections would face a market test every day, as a deep and liquid market for its securities was formed. Or, alternatively, the bank could issue its own fifty-year bonds, backed by its loan portfolio, to obtain its own capital.

Even with a conservative ratio of borrowed funds to capital of three to one (meaning each dollar of federal activity attracts three added dollars of private borrowing), this could produce almost a quarter-trillion of investment on a $60 billion annual bond issue. But regardless of the particular financial mechanisms chosen, a freestanding bank would permit raising additional money by borrowing on the basis of the bank’s balance sheet and financial capacity. As a result, the bank could produce substantially more investment and hundreds of thousands of new jobs in the first several years of its operation.

The bank’s securities, whatever they may be, should not benefit from a promise of the government’s full faith and credit (as has been enjoyed and abused by Fannie Mae and Freddie Mac). Only close scrutiny by investors can provide the kinds of discipline needed to ensure the bank’s long-term success. If the bank wishes to support a proposed project—whether by writing a check, insuring a local bond, providing other credit guarantees, or lending its own money—its securities should each be carefully exposed and specifically targeted, allowing participating investors to evaluate the assets they buy. But in our view the dramatic need for additional infrastructure investment clearly justifies tax-free returns for those securities.

## Adv: State Budgets

#### Infrastructure pressures will force State budgets to cut school construction

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Finally, it is important to consider the economic situation facing state and local governments who are significant partners in funding public infrastructure. During recessions, it is common for state and local governments to cut back on capital projects – such as building schools, roads, and parks – in order to meet balanced budget requirements. At the beginning of the most recent recession, tax receipts at the state and local level contracted for four straight quarters; receipts are still below pre-recession levels. Past research has found that expenditures on capital projects are more than four times as sensitive to year-to-year fluctuations in state income as is state spending in general.30 However, the need for improved and expanded infrastructure is just as great during a downturn as it is during a boom. Providing immediate additional federal support for transportation infrastructure investment would be prudent given the ongoing budgetary constraints facing state and local governments, the upcoming reduction in federal infrastructure investment as Recovery Act funds are depleted, and the strong benefits associated with public investment.

#### The bank could assist state budgets speeding up projects with guaranteed funding

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

CONGRESSWOMAN DeLAURO: Can I make a comment about the L.A. project? Because I think that that’s both for your purposes at Department of Transportation in terms of the bank. And Mayor Villaraigosa has really been a pioneer in this effort. And there was a referendum, a half-cent sales tax in order to finance the transit project, but it is a 30-year, I guess, $40 billion project. And when I take a look at that, this is the kind of an effort that the bank could do. It could do it probably in 10 years, which would by -- in and of itself lower the cost of the effort. MS. TROTTENBERG: Lower it significantly. CONGRESSWOMAN DeLAURO: Lower it significantly because we know what happens over the years with the costs of these projects. And then there is a dedicated revenue stream to pay back, so that -- that’s the kind of, I think, impetus and growth and rate of return that I think that we want to try to see in this context. MS. TROTTENBERG: But it is a huge change, though, from the way we do -- I mean, if you look at the TIFIA program, we don’t consider plans. We consider individual projects and the particular economics of those individual -- in fact, we almost don’t even ask about anything else related to the project. So to design an infrastructure bank in the way you’re speaking about, it’s a real change from the way we do business, which is to not focus on every detail of one little project at a time, but in some cases, in a region that’s really come together with a big plan to say we’re ready to invest in the bigger picture, and, you know, for DOT, that’s, you know, that will be a real evolution for us and one that’s very much needed. CONGRESSWOMAN DeLAURO: And the other piece of that is to get the investor skin in the game. I mean, that is -- but the point is -- and you’ve got some of the pieces where you do have, you know, institutional investors, but it is the amount of capital that can -- we can get hold of in order to begin to leverage. When we talk about the infrastructure bank, we’re talking about the potential, and it’s conservative, we’re not talking 30-to-1 leveraging like what’s happened in the past. We’re talking about 2-1/2-to-1 based on the European model. And, you know, if you’ve got $5 billion a year for 5 years from the federal government as an initial capital, you have it under the Treasury -- capital, another $225 billion, you can loan up to $625 billion or thereabouts in terms of trying to, you know, to look at where the problems are and how we can address them. A substantial amount of money, especially when you’ve got the engineers talking about, you know, $2 trillion are where we need to try to go. That’s the scale I think that we have to try to reach. MR. GREENSTONE: I think that vehicle of using -- involving the private sector and what that does is it essentially seeks out the hyper term projects, and I think that’s the power of that idea. MR. PUENTES: So is that how to deal with this problem? Because there’s a tension clearly between the desire from analysts and economists to look -- to put more analytics around projects, we’ve got to get smarter, we’ve got to evaluate it, got to do cost-benefit, between the tension that Matt raised, which is not unique to Virginia, about project acceleration, these things take too long, they’re -- red tape, how do we deal with that kind of tension? I mean involving the private sector maybe one way, because there’s kind of a clearer path, but I mean is there a tension? These things have to co-exist, right? CONGRESSWOMAN DeLAURO: I mean, my point is that the L.A. project for me is one of the best examples. You can move more quickly if you can, you know, you can work with them and you could take it down to 10 years instead of 30 years. MR. PUENTES: Right, that wasn’t about streamlining, that’s about getting the financing CONGRESSWOMAN DeLAURO: That’s right, getting the financing to move, and that’s one of the critical pieces of putting the financing together. And so if that happens at the State Department of Transportation in Connecticut, my god, the project goes from, you know, $8 million to $70 million because it’s, you know, 10 years later, whatever it is, and that’s -- you have to bear the burden.

#### State budget crisis forces cuts in technical K-12 and university education

LEACHMAN ET AL ‘11 – Michael Leachman – Director of State Fiscal Research with the State Fiscal Policy division of the Center; holds a Ph.D. in sociology from Loyola University Chicago; policy analyst for nine years at the Oregon Center for Public Policy; AND\*\*\* Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development; AND\*\*\* Erica Williams - M.A. in International Policy the Monterey Institute of International Studies; Policy Analyst with the State Fiscal Project; (Michael, Nicholas Johnson, Erica Williams, “State Budget Cuts in the New Fiscal Year Are Unnecessarily Harmful”, July 28, http://www.cbpp.org/cms/index.cfm?fa=view&id=3550)

Since states spend more of their budgets on education and health care than anything else, lawmakers imposing large spending cuts are hard-pressed to avoid cutting back on these essential public services. Many states also will lay off state employees or cut their pay and benefits. These actions, coming on top of deep cuts that states have already made over the last three years, place a drag on the nation’s economic recovery. Elementary and Secondary Education At least 23 states have made identifiable cuts in support for public schools. In many cases, these cuts undermine school finance systems that are intended to reduce disparities between high-wealth and low-wealth school districts, so the largest impacts may be felt in communities that are least able to compensate for the loss of funds from their own resources. Arizona is cutting $183 million from K-12 education spending in the coming year and continues another $377 million in cuts that were implemented over the previous three years, bringing the total cut relative to pre-recession levels to $560 million, or $530 per pupil. Colorado is cutting state spending on K-12 education by $347 per pupil compared to last school year. Florida is cutting spending on K-12 education by $542 per pupil compared with last year. The state also has cut $13 million from the state’s school readiness program that gives low-income families access to high quality early care for their children. The cut means over 15,000 children currently participating in the program will no longer be served. Florida also reduced by 7 percent the per-student allocation to providers participating in the state’s universal prekindergarten program for 4-year-olds, which will mean that classrooms have more children per teacher. Georgia cut state and lottery funds for pre-kindergarten by 15 percent, which will mean shortening the pre-K school year from 180 to 160 days for 86,000 four-year-olds, increasing class sizes from 20 to 22 students per teacher, and reducing teacher salaries by 10 percent. Iowa reduced state funding for its statewide pre-kindergarten program for four-year-olds by 9 percent from last year. Schools serving these children will now receive fewer dollars per child and may have to make up for lost funds with reduced enrollment or higher property taxes. The state is also cutting back support for a community-based early childhood program that provides resources to parents with children from birth to age 5, including a cut of nearly 30 percent to preschool tuition assistance. Illinois is cutting general state aid for public schools by $152 million, on top of a loss of $415 million in expired federal recovery dollars — a total decrease of 11 percent. The budget takes $17 million from the state fund that supports early childhood education efforts, which may result in an estimated 4,000 fewer children receiving preschool services and 1,000 fewer at-risk infants and toddlers receiving developmental services. The budget also eliminates state funding for advanced placement courses in school districts with large concentrations of low-income students, mentoring programs for teachers and principals, and an initiative providing targeted, research-based instruction to students with learning difficulties. Kansas cut the basic funding formula for K-12 schools by $232 per-pupil, bringing this funding nearly 6 percent below fiscal year 2011 budgeted levels. For the third year in a row, Louisiana will fail to fund K-12 education at the minimum amount required to ensure adequate funding for at-risk and special needs students, as determined by the state’s education finance formula. Per student spending will be $215 below the level set out by the finance formula for FY12. Michigan is cutting K-12 education spending by $470 per student. Mississippi, for the fourth year in a row, will fail to meet the state’s statutory obligation to support K-12 schools, underfunding school districts by 10.5 percent or $236 million. The statutory school funding formula is designed to ensure adequate funding for lower-income and underperforming schools. According to the Mississippi Department of Education, the state’s failure to meet that requirement over the past three years has resulted in 2,060 school employee layoffs (704 teachers, 792 teacher assistants, 163 administrators, counselors, and librarians, and 401 bus drivers, custodians, and clerical personnel).[11] Missouri is freezing funding for K-12 education at last year’s levels. This means that for the second year in a row, the state has failed to meet the statutory funding formula established to ensure equitable distribution of state dollars to school districts. Nebraska altered its K-12 school aid funding formula to freeze state aid to schools in the coming year and allow very small increases thereafter, resulting in a cut of $410 million over two years. New Mexico cut K-12 spending by $42 million (1.7 percent). The governor is requiring school districts to spare “classroom spending” from the cuts, which means greater proportional cuts to other areas of K-12 education like school libraries and guidance counseling. The operating budget of the state education department is being cut by more than 25 percent. New York cut education aid by $1.3 billion, or 6.1 percent. This cut will delay implementation of a court order to provide additional education funding to under-resourced school districts for the third year in a row. Beyond cutting the level of education aid in FY12, the budget limits the rate at which education spending can grow in future years to the rate of growth in state personal income. North Carolina cut nearly half of a billion dollars from K-12 education in each year of the biennium compared to the amount necessary to provide the same level of K-12 education services in 2012 as in 2011. Both the state-funded prekindergarten program for at risk 4-year-olds and the state’s early childhood development network that works to improve the quality of early learning and child outcomes were cut by 20 percent. The budget also reduces by 80 percent funds for textbooks; reduces by 5 percent funds for support positions, like guidance counselors and social workers; reduces by 15 percent funds for non-instructional staff; and cuts by 16 percent salaries and benefits for superintendents, associate and assistant superintendents, finance officers, athletic trainers, and transportation directors, among others. Ohio is cutting state K-12 education funding 7.5 percent this year, a cut of $400 per student and equivalent to nearly 14,000 teachers’ salaries. Oklahoma is cutting funding for school districts by 4.5 percent, and makes additional cuts to the Department of Education’s budget. The Department of Education has voted to eliminate adult education programs, math labs in middle school, and stipends for certified teachers, among other things. Pennsylvania cut K-12 education aid by $422 million, or 7.3 percent, bringing funding down nearly to FY2009 levels. The budget also cuts $429 million dollars in additional funding that the state provides to school districts to implement effective educational practices (such as high quality pre-kindergarten programs) and maintain tutoring programs, among other purposes. Overall state funding for school districts was cut by $851 million or 13.5 percent, a cut of $485 per student. South Dakota cut K-12 education by 6.4 percent, next year, an amount equal to $416 per student, and 8.8 percent in 2013. Texas eliminated state funding for pre-K programs that serve around 100,000 mostly at-risk children, or more than 40 percent of the state’s pre-kindergarten students. The budget also reduces state K-12 funding to 9.4 percent below the minimum amount required by the state law. Texas already has below-average K-12 education funding compared to other states, and this cut would depress that low level even further at a time when the state’s school enrollment is growing. This would likely force school districts to lay off large numbers of teachers, increase class sizes, eliminate sports programs and other extracurricular activities, and take other measures that undermine the quality of education. Utah cut K-12 education by 5 percent, or $303, per pupil from the prior year’s levels. Washington is taking over $1 billion from state K-12 education funds designed to reduce class size, extend learning time, and provide professional development for teachers — a cut equal to $1,100 per student. Wisconsin reduced state aid designed to equalize funding across school districts by $740 million over the coming two-year budget cycle, a cut of 8 percent. The budget also reduces K-12 funds for services for at-risk children, school nursing, and alternative education. Higher Education At least 25 states have made large, identifiable cuts in funding for state colleges and universities, with direct impacts on students. Arizona cut funding for public universities by nearly one-quarter, or $200 million. This would add to deep previous cuts: from 2008 through 2011, state support for universities fell by $230 million, resulting in the elimination of more than 2,100 positions (an 11 percent reduction in the workforce). Universities have raised tuition significantly, closed eight extended campuses, and merged, consolidated, or disestablished 182 colleges, schools, programs, and departments. Combined with those previous cuts, the FY12 reduction brings per-student state funding down to 50 percent below pre-recession levels.[12] Arizona also cut community college funding for operating expenses by about $73 million. The cut amounts to 6.2 percent of total community college operating revenues and half of all state support for community colleges. California is increasing fees at community colleges starting this fall by 38 percent; for the average student, this means an annual fee increase of $300. The state also is reducing funding for the University of California (UC) and the California State University (CSU) systems by $1.3 billion ($650 million each). Since FY2008 California has cut funding for the UC system by 27 percent and has cut funding for the CSU system by almost 28 percent. In response to cuts in funding, the CSU will increase annual tuition by 29 percent, or $1,242 for full time undergraduate students (relative to the tuition rate that was in place at the beginning of last school year). UC will increase annual tuition by 18 percent, or over $1,800 for resident undergraduate students. UC tuition has grown by more than 80 percent since the 2007-08 academic year. Colorado cut state university spending by 11.5 percent over the prior year, which is expected to be offset with tuition increases of 9 percent, on average. The budget also cuts a means-tested stipend program for undergraduate students by 21 percent from what was budgeted for the current year. Florida cut state higher education spending and raised state university tuition for undergraduates by 8 percent. State universities are increasing tuition by another 7 percent to offset cuts in funding. This comes on the heels of tuition hikes equaling over 30 percent since the 2009-10 school year. The state has also cut a university merit-based scholarship program by 20 percent. Georgia cut funding for a popular merit-based college scholarship program serving hundreds of thousands of students by about one-fifth, university funding by 10 percent, and funding for technical colleges by 4 percent. Iowa is cutting state funding for public universities by $20 million, or around 4 percent. This brings state support below fiscal year 2007 levels. Louisiana enacted a 10 percent tuition increase for the state university system, or an average increase of around $600 more per year per student, in order to make up for the loss of federal and state dollars. Technical colleges will raise tuition by an average of $700 for full-time students. Massachusetts cut funding for higher education by $64 million, or 6.3 percent. Since FY2009, after adjusting for inflation, the state has cut funding by $185 million, or 16.3 percent. Michigan cut by 15 percent state support for public universities, and will increase the cut to about 20 percent for universities that raise tuition by more than 7 percent. Universities are already announcing tuition increases just under that limit, amounting to $600 - $900 tuition increases for in-state undergraduate students. The state also cut funding for community colleges by 4 percent. Minnesota is cutting state funding for higher education 12 percent below 2011 levels. This includes a $194 million cut to the University of Minnesota system and a $170 million cut to the Minnesota State Colleges and Universities system. Missouri cut state support for higher education by 7 percent. The cuts continue a trend of declining state support for Missouri’s universities and community colleges; over the last decade, state support for universities has fallen by 28 percent per student and support for community colleges has fallen by 12 percent. Nevada reduced state funding for the higher education system by 15 percent, which will result in an increase in undergraduate tuition of 13 percent in FY12 and an increase in graduate school tuition of 5 percent in FY12 and again in FY13. New Hampshire cut support for the university system almost in half in a single year, from $100 million to $52 million. University officials have announced that they will raise tuition 8.7 - 9.7 percent, eliminate around 200 positions, reduce employee benefits, dip into reserves, and take other measures as a result. Community colleges also face a 37 percent cut and will raise tuition 6.5 percent for the coming year, which will cost full time students up to $360 per year. New Mexico reduced by 8 percent state funding for public universities, which will result in a 5.5 percent tuition increase ($304 per student). New York cut state funding for the State University of New York (SUNY) by 7.6 percent, and reduces state funding for the City University of New York (CUNY) by 4.4 percent. To help them absorb the funding cuts, the legislature passed a bill that allows SUNY and CUNY to raise tuition by about 30 percent over the next five years. These tuition increases would affect 220,000 students in the SUNY system and 137,000 in the CUNY system and come on top of increases already imposed since the recession began. At SUNY, for example, substantial reductions in state support resulted in a 14 percent tuition increase in 2009. North Carolina cut nearly half of a billion dollars from higher education in each year of the biennium compared to the amount necessary to provide the same level of higher education services in 2012 as in 2011. The cuts mean that full-time resident community college students could see their tuition increase to $2,128 in FY12 and $2,208 in FY13 from the current $1,808 per year. Funds for community college basic education courses were cut by 12 percent. North Carolina is also forcing the university system to find more than $330 million in savings in each year of the biennium. The state also is reducing by 59 percent (or $26 million each year) the state subsidy to university hospitals to offset the costs of uncompensated care, which the hospital system estimates at $300 million this year. Oklahoma is cutting state funding for higher education by nearly 6.7 percent. Partially as a result, tuition and fees were increased by an average of 5.9 percent, or about $225 per student. The budget also cuts a career and technical education training program by about 6.5 percent. Ohio cut higher education funding 10 percent for FY12, amounting to $590 per student. Students at public universities face a 7 percent tuition increase as well as an undetermined (and uncapped) amount of fee increases. Pennsylvania cut funding for the state’s system of higher education by $91 million, or 18 percent. The budget also cuts funding for the state’s four “state related” universities (Penn State, the University of Pittsburgh, Temple, and Lincoln University) by roughly 20 percent. As a result, the University of Pittsburgh will increase in-state tuition by 8.5 percent and Temple University will increase in-state tuition by almost ten percent. Other state universities will see tuition increases of 7.5 percent. South Dakota cut higher education (and most other agencies) by 10 percent. The Board of Regents voted to raise tuition by 6.9 percent, or $490 per student, on average. The tuition increase covers only part of the loss of state funding, and each university has to determine how it will make up for the remaining loss of funds. Tennessee cut funds for the University of Tennessee system by 25 percent compared to 2011. Tuition within the system will rise 6 to 10 percent. Texas reduced general revenue spending on higher education by 9 percent over two years. This includes a cut of 5 percent to college and university formula spending, a cut of 10 percent in formula spending for health institutions, such as nursing schools, and a cut of 25 percent to funds for university research centers, graduate programs, and other non-operations spending. Enrollment growth is not funded for any higher education institution. The budget also cuts by 10 percent financial aid awards under the Texas grant program, which combines state and institutional money to cover tuition and fees for public school students with financial need and good academic records. The cut will likely result in smaller awards. Utah is cutting its higher education budget by about 1 percent below last year’s level, bringing the total decline in state spending to 2 percent since 2009. These funding cuts come despite rapidly rising enrollment. For example, enrollment in Utah’s system of higher education in the spring 2011 semester was 4 percent above enrollment the previous year. The failure of state funding to keep up with enrollment growth will result in an average tuition increase of 7.5 percent. Washington is cutting state funding for colleges and universities by more than $500 million and raising tuition in the upcoming school year by anywhere from 11 percent to 16 percent compared with last year. Wisconsin is cutting $250 million from the state university system, with nearly $100 million of that cut coming from funds for UW-Madison. The budget freezes financial aid at current levels despite expected tuition increases of 5.5 percent system-wide and a recently approved tuition increase of 8.3 percent for UW-Madison, creating an even larger funding gap that students and their families will have to fill. The budget also cuts state support for technical colleges by about $70 million over the biennium, or 25 percent, and places a two-year freeze on local property tax levies that allow communities to raise funds for technical colleges.

#### That destroys American primacy

NAS ‘7 (Committee on Prospering in the Global Economy of the 21st Century: An Agenda for American Science and Technology Committee on Science, Engineering, and Public Policy, “RISING ABOVE THE GATHERING STORM Energizing and Employing America for a Brighter Economic Future”, National Academy of Sciences, National Academy of Engineering, Institute of Medicine, July, http://www.nap.edu/catalog/11463.html)

China and India indeed have low wage structures, but the United States has many other advantages. These include a better science and technology infrastructure, stronger venture-capital markets, an ability to attract talent from around the world, and a culture of inventiveness. Comparative advantage shifts from place to place over time and always has; the earth cannot really be flattened. The US response to competition must include proper retraining of those who are disadvantaged and adaptive institutional and policy responses that make the best use of opportunities that arise. India and China will become consumers of those countries’ products as well as ours. That same rising middle class will have a stake in the “frictionless” flow of international commerce—and hence in stability, peace, and the rule of law. Such a desirable state, writes Friedman, will not be achieved without problems, and whether global flatness is good for a particular country depends on whether that country is prepared to compete on the global playing field, which is as rough and tumble as it is level. Friedman asks rhetorically whether his own country is proving its readiness by “investing in our future and preparing our children the way we need to for the race ahead.” Friedman’s answer, not surprisingly, is no. This report addresses the possibility that our lack of preparation will reduce the ability of the United States to compete in such a world. Many underlying issues are technical; some are not. Some are “political”—not in the sense of partisan politics, but in the sense of “bringing the rest of the body politic along.” Scientists and engineers often avoid such discussions, but the stakes are too high to keep silent any longer. Friedman’s term quiet crisis, which others have called a “creeping crisis,” is reminiscent of the folk tale about boiling a frog. If a frog is dropped into boiling water, it will immediately jump out and survive. But a frog placed in cool water that is heated slowly until it boils won’t respond until it is too late.Our crisis is not the result of a one-dimensional change; it is more than a simple increase in water temperature. And we have no single awakening event, such as Sputnik. The United States is instead facing problems that are developing slowly but surely, each like a tile in a mosaic. None by itself seems sufficient to provoke action. But the collection of problems reveals a disturbing picture—a recurring pattern of abundant short-term thinking and insufficient long-term investment. Our collective reaction thus far seems to presuppose that the citizens of the United States and their children are entitled to a better quality of life than others, and that all Americans need do is circle the wagons to defend that entitlement. Such a presupposition does not reflect reality and neither recognizes the dangers nor seizes the opportunities of current circumstances. Furthermore, it won’t work. In 2001, the Hart–Rudman Commission on national security, which foresaw large-scale terrorism in America and proposed the establishment of a cabinet-level Homeland Security organization before the terrorist attacks of 9/11, put the matter this way:4 The inadequacies of our system of research and education pose a greater threat to U.S. national security over the next quarter century than any potential conventional war that we might imagine. President George W. Bush has said “Science and technology have never been more essential to the defense of the nation and the health of our economy.”5 US Commission on National Security. Road Map for National Security: Imperative for Change. Washington, DC: US Commission on National Security, 2001. A letter from the leadership of the National Science Foundation to the President’s Council of Advisors on Science and Technology put the case even more bluntly:6 Civilization is on the brink of a new industrial order. The big winners in the increasingly fierce global scramble for supremacy will not be those who simply make commodities faster and cheaper than the competition. They will be those who develop talent, techniques and tools so advanced that there is no competition.

#### Great power wars

ZHANG AND SHI 11 - \*Yuhan, a researcher at the Carnegie Endowment for International Peace, Washington, D.C. \*\*\* AND\*\*\* Lin, Columbia University. She also serves as an independent consultant for the Eurasia Group and a consultant for the World Bank in Washington, D.C. “America’s decline: A harbinger of conflict and rivalry” <http://www.eastasiaforum.org/2011/01/22/americas-decline-a-harbinger-of-conflict-and-rivalry/>)

Over the past two decades, no other state has had the ability to seriously challenge the US military. Under these circumstances, motivated by both opportunity and fear, many actors have bandwagoned with US hegemony and accepted a subordinate role. Canada, most of Western Europe, India, Japan, South Korea, Australia, Singapore and the Philippines have all joined the US, creating a status quo that has tended to mute great power conflicts.

However, as the hegemony that drew these powers together withers, so will the pulling power behind the US alliance. The result will be an international order where power is more diffuse, American interests and influence can be more readily challenged, and conflicts or wars may be harder to avoid.

As history attests, power decline and redistribution result in military confrontation. For example, in the late 19th century America’s emergence as a regional power saw it launch its first overseas war of conquest towards Spain. By the turn of the 20th century, accompanying the increase in US power and waning of British power, the American Navy had begun to challenge the notion that Britain ‘rules the waves.’ Such a notion would eventually see the US attain the status of sole guardians of the Western Hemisphere’s security to become the order-creating Leviathan shaping the international system with democracy and rule of law.

Defining this US-centred system are three key characteristics: enforcement of property rights, constraints on the actions of powerful individuals and groups and some degree of equal opportunities for broad segments of society. As a result of such political stability, free markets, liberal trade and flexible financial mechanisms have appeared. And, with this, many countries have sought opportunities to enter this system, proliferating stable and cooperative relations.

However, what will happen to these advances as America’s influence declines? Given that America’s authority, although sullied at times, has benefited people across much of Latin America, Central and Eastern Europe, the Balkans, as well as parts of Africa and, quite extensively, Asia, the answer to this question could affect global society in a profoundly detrimental way.

Public imagination and academia have anticipated that a post-hegemonic world would return to the problems of the 1930s: regional blocs, trade conflicts and strategic rivalry. Furthermore, multilateral institutions such as the IMF, the World Bank or the WTO might give way to regional organisations.

For example, Europe and East Asia would each step forward to fill the vacuum left by Washington’s withering leadership to pursue their own visions of regional political and economic orders. Free markets would become more politicised — and, well, less free — and major powers would compete for supremacy.

Additionally, such power plays have historically possessed a zero-sum element. In the late 1960s and 1970s, US economic power declined relative to the rise of the Japanese and Western European economies, with the US dollar also becoming less attractive. And, as American power eroded, so did international regimes (such as the Bretton Woods System in 1973).

A world without American hegemony is one where great power wars re-emerge, the liberal international system is supplanted by an authoritarian one, and trade protectionism devolves into restrictive, anti-globalisation barriers. This, at least, is one possibility we can forecast in a future that will inevitably be devoid of unrivalled US primacy.

#### Scenario 2: Bioterrorism

#### State budget cuts destroys bioterror responsiveness

AHLERS ’11- senior producer, transportation and regulation, for CNN (Mike M., “Bioterror security at risk”, December 20, http://security.blogs.cnn.com/2011/12/20/bioterror-security-at-risk/)

Recent and proposed budget cuts at all levels of government are threatening to reverse the significant post-9/11 improvements in the nation's ability to respond to natural diseases and bioterror attacks, according to a report released Tuesday. "We're seeing a decade's worth of progress eroding in front of our eyes," said Jeff Levi, executive director of the Trust for America's Health, which published the report with the Robert Wood Johnson Foundation. Budget cuts already have forced state and local health departments to cut thousands of health officials, the report says. Cuts are jeopardizing the jobs of federal investigators who help states hunt down diseases, threatening the capabilities at all 10 "Level 1" state labs that conduct tests for nerve agents or chemical agents such as mustard gas, and may hurt the ability of many cities to rapidly distribute vaccines during emergencies, it says. The "upward trajectory" of preparedness, fueled by more than $7 billion in federal grants to cities and states in the past 10 years, is leveling off, and the gains of the last decade are "at risk," the report says. The 2011 report departs slightly in tone from the nine previous reports prepared by the two health advocacy groups. Earlier reports, while focusing on gaps in the nation's preparedness for pandemics and bioterror attacks, showed a "steady progression of improvement," said Levi. "Our concern this year is that because of the economic crisis... we may not be as prepared today as we were a couple of years ago," he said. Once lost, medical capabilities take time and money to rebuild, the report says. "It would be like trying to hire and train firefighters in the middle of a fire," Levi said. "You don't do that for fire protection, and we shouldn't be doing that for public health protection." There are few expressions of assurance or optimism in the 2011 report. The report says: – In the past year, 40 states and the District of Columbia have cut funds to public health. – Since 2008, state health agencies have lost 14,910 people through layoffs or attrition; local health departments have lost 34,400. – Federal PHEP grants - Public Health Emergency Preparedness grants - were cut 27 percent between fiscal 2005 and 2011, when adjusted for inflation. – Some 51 cities are at risk for elimination of Cities Readiness Initiative funds, which support the rapid distribution of vaccinations and medications during emergencies. "Two steps forward, three steps back," said Dr. F. Douglas Scutchfield of the University of Kentucky College of Public Health, in an essay accompanying the study. "As certain as the sun will rise in the east, we will experience another event that will demonstrate our inability to cope, as the resources for public health are scarce, and it will prompt the cycle of build-up, neglect, event, build-up, etc." Federal aid to state and local governments for health preparedness peeked in 2002 at about $1.7 billion, and fell to $1.3 billion in fiscal 2012, Levi said. But the impact of cuts were masked when Congress allocated more than $8 billion in emergency funds to fight the H1N1 flu in 2009, Levi said. "Now that money is gone. And so we're seeing the real impact of these cuts," he said. The TFAH report comes just two months after another report concluded that the United States is largely unprepared for a large-scale bioterror attack or deadly disease outbreak.

#### Minimizing the death toll is crucial – large casualties ensure nuclear retaliation

CONLEY ‘3 (Lt Col Harry W. is chief of the Systems Analysis Branch, Directorate of Requirements, Headquarters Air Combat Command (ACC), Langley AFB, Virginia. Air & Space Power Journal – Spring, http://www.airpower.maxwell.af.mil/airchronicles/apj/apj03/spr03/conley.html)

The number of American casualties suffered due to a WMD attack may well be the most important variable in determining the nature of the US reprisal. A key question here is how many Americans would have to be killed to prompt a massive response by the United States. The bombing of marines in Lebanon, the Oklahoma City bombing, and the downing of Pan Am Flight 103 each resulted in a casualty count of roughly the same magnitude (150–300 deaths). Although these events caused anger and a desire for retaliation among the American public, they prompted no serious call for massive or nuclear retaliation. The body count from a single biological attack could easily be one or two orders of magnitude higher than the casualties caused by these events. Using the rule of proportionality as a guide, one could justifiably debate whether the United States should use massive force in responding to an event that resulted in only a few thousand deaths. However, what if the casualty count was around 300,000? Such an unthinkable result from a single CBW incident is not beyond the realm of possibility: “According to the U.S. Congress Office of Technology Assessment, 100 kg of anthrax spores delivered by an efficient aerosol generator on a large urban target would be between two and six times as lethal as a one megaton thermo-nuclear bomb.”46 Would the deaths of 300,000 Americans be enough to trigger a nuclear response? In this case, proportionality does not rule out the use of nuclear weapons. Besides simply the total number of casualties, the types of casualties- predominantly military versus civilian- will also affect the nature and scope of the US reprisal action. Military combat entails known risks, and the emotions resulting from a significant number of military casualties are not likely to be as forceful as they would be if the attack were against civilians. World War II provides perhaps the best examples for the kind of event or circumstance that would have to take place to trigger a nuclear response. A CBW event that produced a shock and death toll roughly equivalent to those arising from the attack on Pearl Harbor might be sufficient to prompt a nuclear retaliation. President Harry Truman’s decision to drop atomic bombs on Hiroshima and Nagasaki- based upon a calculation that up to one million casualties might be incurred in an invasion of the Japanese homeland47- is an example of the kind of thought process that would have to occur prior to a nuclear response to a CBW event. Victor Utgoff suggests that “if nuclear retaliation is seen at the time to offer the best prospects for suppressing further CB attacks and speeding the defeat of the aggressor, and if the original attacks had caused severe damage that had outraged American or allied publics, nuclear retaliation would be more than just a possibility, whatever promises had been made.**”**48

#### Nuclear war

**IRC ‘1** (11-20-1, “How should the U.S. prepare for possible attacks using biological and chemical weapons?” IRC, <http://www.fpif.org/faq/0111bioterror.html>)

Nuclear deterrence is a leading U.S. strategy to counter threats of biological and chemical warfare. The U.S. has adopted a nuclear weapons use doctrine based on the principles of deterrence capacity and the pre-emptive destruction of chemical or biological weapons and facilities of an enemy nation or non-state actor. This policy was most recently updated in Presidential Decision Directive 60 (PDD60), which was signed by President Clinton in late 1997. This document confirmed a policy that was in place as early as 1994. Detailed scenarios for nuclear operations by forces in the European theater (from where, for example, an assault on Libya would be launched) were enshrined in a "Silver Book" in 1994. Planning for this eventuality had begun as early as 1990, when the Pentagon began searching for new missions to justify the retention of nuclear forces following the end of the cold war. The policy now in place allows for nuclear weapons to be used in response to a chemical or biological weapons attack; against facilities for chemical and biological weapons (CBW) production or storage; or against an enemy thought to be preparing a CBW attack. This is part of a policy called counterproliferation, a military response to the spread of weapons of mass destruction (WMD). There is strong pressure from the Department of Energy weapons labs, from some officials in the administration, and a small number of military personnel for the development of new, smaller nuclear weapons that could be used for such counterproliferation missions. If the U.S. suffers a large number of casualties in a biological attack, the probability of nuclear retaliation would be high.If the administration would declare, for example, that the recent anthrax attacks were criminal or terrorist actions and could then trace them back to the bin Laden network, this would permit U.S. forces to attack Afghanistan with nuclear weapons, if a target requiring nuclear weapons to destroy it could be found. The same would be true with Iraq. If the U.S. suffers a large number of casualties in a biological attack, the probability of nuclear retaliation would be high. The problems with this strategy are manifold: First, if the country hosting the WMD terrorists is a non-nuclear weapon state, then the U.S. has promised not to use nuclear weapons against it unless it attacks the U.S. in alliance with a nuclear weapon state. In the case of Africa, South America, and other nuclear weapon free zones (NWFZ), those promises are legally enshrined in protocols to NWFZ treaties--the U.S. action would therefore be illegal. Second, the human and environmental cost of such action across generations would far exceed any damage done to the U.S., and there would be no way to ensure that fallout would be contained within the country attacked. Third, the development of new nuclear weapons would likely require a return to nuclear testing, killing any chance that the Comprehensive Nuclear Test Ban Treaty (CTBT) could come into force, and probably spurring new weapons developments in China, India, and Pakistan. Finally, there is no support for this U.S. policy, even among U.S. allies. NATO has adopted a watered-down version of the U.S. nuclear doctrine, but has been unable to agree on any guidance for military planners to operationalize the policy. Using nuclear weapons would make the U.S. a pariah state.

#### Federal infrastructure bank is key – coordination is crucial for business confidence and state budget

COEA ‘12 - Council of Economic Advisers, Department of Treasury (“A NEW ECONOMIC ANALYSIS OF INFRASTRUCTURE INVESTMENT”, March 23, http://www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf)

President Obama’s FY 2013 Budget proposes a bold plan to renew and expand America’s infrastructure. This plan includes a $50 billion up-front investment connected to a six-year $476 billion reauthorization of the surface transportation program and the creation of a National Infrastructure Bank. The President’s plan would significantly increase investment in surface transportation by approximately 80 percent when compared to previous federal investment. The plan seeks not only to fill a long overdue funding gap, but also to reform how Federal dollars are spent so that they are directed to the most effective programs. This report contributes to the ongoing policy dialogue by summarizing the evidence on the economic effects of investments in transportation infrastructure.

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 [emphasis in article] 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.

The President’s plan addresses a significant and longstanding need for greater infrastructure investment in the United States. Targeted investments in America’s transportation infrastructure would generate both short-term and long-term economic benefits. However, transforming and rehabilitating our nation’s transportation infrastructure system will require not only greater investment but also a more efficient use of resources, because simply increasing funding does not guarantee economic benefits. This idea is embodied in the President’s proposal to reform our nation’s transportation policy, as well as to establish a National Infrastructure Bank, which would leverage private and other non-Federal government resources to make wise investments in projects of regional and national significance.

In this report, we begin by reviewing factors that should influence investment in infrastructure. We review the economic literature regarding returns to infrastructure investment. Next, we consider the specific condition of our economy and labor market, including the availability of workers with the requisite skills, which suggest that now is a particularly favorable time to initiate these investments. Then we analyze the benefits derived by American families and companies from well-functioning infrastructure systems and the costs associated with poor infrastructure systems. Finally, we review public and business sentiment regarding infrastructure investment.

#### Strong federal signal is critical to boost states’ confidence and solve the budget crisis

JOHNSON ET AL ‘10 - Nicholas Johnson- graduate degree from Duke University's Terry Sanford Institute of Public Policy, Director of the State Fiscal Project, which works to develop strategies for long-term structural reform of state budget and tax systems, encourage low-income tax relief, and improve the way states prioritize funding, received the Ian Axford Fellowship in Public Policy, a program financed by the New Zealand government and administered by Fulbright New Zealand. Through this fellowship, he spent six months as an advisor to the New Zealand Treasury and the New Zealand Ministry of Social Development. AND\*\*\* Iris J. Lav- created the State Fiscal Analysis Initiative, a network of nonprofit organizations that work on state budget issues. The SFAI network began with 11 state organizations in 1993 and now operates in 31 states with groups in seven other states under development. In 1999, she received the Steven D. Gold award for contributions to state and local fiscal policy. Holds an MBA from George Washington University and an AB from the University of Chicago. AND\*\*\* Elizabeth McNichol- M.A. in Political Science University of Chicago. Senior Fellow specializing in state fiscal issues including methods of examining state budget processes and long-term structural reform of state budget and tax systems, served as Assistant Research Director of the Service Employees International Union in Washington, D.C. was a staff member of the Joint Finance Committee for the State of Wisconsin Legislature specializing in property taxes and state aid to local governments (Nicholas, Iris J. Lav,Elizabeth McNichol, “ Additional Federal Fiscal Relief Needed to Help States Address Recession’s Impact “, March 1, http://www.cbpp.org/cms/index.cfm?fa=view&id=2988)

There are a number of reasons for these lags in state fiscal recovery.

In the last two recessions, the unemployment rate continued climbing for 15 to 19 months after the recession ended and then remained high for a considerable period of time after that. That hampers the ability of state revenues to recover strongly; high unemployment reduces both income tax and consumption tax revenues. In the current economic downturn, unemployment is projected to continue rising in calendar year 2010 and to remain relatively high through 2012 or 2013. Mark Zandi forecasts that the unemployment rate will peak at 10.5 percent in the late spring of 2010 and not fall back to a rate consistent with full employment until 2013. Goldman-Sachs forecasts the unemployment rate to continue to rise throughout calendar year 2010, reaching 10.5 percent in the fourth quarter.[11]

High unemployment also affects state expenditures, as Medicaid rolls remain swollen with residents who have lost their jobs, income, and health insurance.

As states strive to balance their budgets while doing the least harm to their economies and their residents, they initially draw down rainy day funds and other reserves, sell assets, and postpone payments. The use of these strategies, however, creates holes in future-year budgets that have to be filled. When unemployment remains high in the years immediately after a recession ends, state revenue growth generally is not strong enough to fill these gaps.

The tax increases that states enact during recessions often are temporary and expire before fiscal conditions have fully recovered.

Timing of Action

Because of state budget calendars, it would not be effective for the Administration and Congress to wait until the fall of 2010 to consider additional aid to the states for state fiscal year 2011.

In most states, the governor’s proposed budget for fiscal year 2011[12] is being developed this fall. At the end of calendar 2009 or the beginning of calendar 2010, governors will submit their budgets to their legislatures, to be considered between January and June 2010. Final budgets for fiscal year 2011 will be adopted at some point during that period. Some states, particularly those with short legislative sessions, require the adoption of budgets by March or April.

States budget for their fiscal years as a whole, not for six-month periods. The spending cuts and tax increases that states will institute in order to balance their 2011 budgets will be determined based on the state’s budget projections for all of fiscal year 2011. Those projections will include a significant drop-off in ARRA funds for the final half of the state fiscal year (i.e., after December 2010).

Accordingly, many of the actions that states will take to balance their 2011 budgets will be implemented next summer (or in some cases even earlier if budget gaps have reopened for the current fiscal year). To gain maximum revenue, states that plan to adopt tax increases to help address their looming fiscal year 2011 shortfalls may want to put them in place as quickly as possible. The same applies to spending reductions; for example, many cuts in education spending are likely to take effect next summer, at the start of the 2010-2011 school year.

The bottom line is that unless states know that additional aid is coming— even if they do not actually receive the dollars until calendar year 2011 — they will institute large new budget cuts and/or tax increases by next summer to close the shortfalls in their fiscal 2011 budgets.

Conclusion

State fiscal assistance under ARRA will end or largely be exhausted by the end of calendar year 2010. Unfortunately, big state deficits are expected to continue through state fiscal year 2012 — that is, for another 18 months or so after 2010 ends. If states do not receive additional federal assistance beyond the scheduled expiration of such aid, they will be forced to institute further deep budget cuts and/or substantial tax increases. Such actions would place a drag on the U.S. economy, impeding the recovery and costing many jobs. Such measures also could cause serious hardship for many families and individuals that have lost their jobs and are relying on Medicaid and other key state services to make it through this unusually painful economic downturn.

### Jobs

#### State Budget Crisis is real and will cost people their pensions and jobs

**CBS News ’10** (State Budgets: The Day of Reckoning, CBS News, 12-19-2010, <http://www.cbsnews.com/2100-18560_162-7166220.html>)

By now, just about everyone in the country is aware of the federal deficit problem, but you should know that there is another financial crisis looming involving state and local governments. ¶ It has gotten much less attention because each state has a slightly different story. But in the two years, since the "great recession" wrecked their economies and shriveled their income, the states have collectively spent nearly a half a trillion dollars more than they collected in taxes. There is also a trillion dollar hole in their public pension funds. ¶ The states have been getting by on billions of dollars in federal stimulus funds, but the day of reckoning is at hand. The debt crisis is already making Wall Street nervous, and some believe that it could derail the recovery, cost a million public employees their jobs and require another big bailout package that no one in Washington wants to talk about.

#### An Infrastructure Bank would take infrastructure spending burden off of the states

**THE ASSOCIATED PRESS 4-25**-12 (The Associated Press, 4-25-2012, Okla. Senate approves infrastructure bank measure, <http://www.businessweek.com/ap/2012-04/D9UC1R300.htm>)

The Oklahoma Senate has passed legislation to create an infrastructure bank to receive and distribute federal funds for infrastructure improvements in the state.¶ The measure by Rep. Richard Morrissette of Oklahoma City and Sen. Brian Crain of Tulsa was approved 45-0 on Tuesday. It now goes to Gov. Mary Fallin for her signature.¶ The infrastructure bank will receive federal funds under the Transportation Infrastructure Finance and Innovation Act. Through its own board, the bank will approve loans and grants for improvements to roads, bridges, sidewalks and commercial endeavors such as upgrades to rail and other mass transit proposals.¶ Morrissette says the projects will provide direct benefits to Oklahoma communities as well as employment opportunities for workers that will be a boon to every aspect of the state's economy.

#### Jobs are key to the economy

**Danny Thompson ’11** (Las Vegas Sun Where I Stand Guest Column - Jobs are key to getting economy on track, Danny Thompson - executive secretary-treasurer of the Nevada State AFL-CIO, http://www.lasvegassun.com/news/2011/aug/12/jobs-are-key-getting-economy-track/)

Some politicians would like us to believe that the root of our economic problem — whether it’s our state budget or our national economic crisis — is one of too much spending. These politicians tell us the simple solution is to drastically cut spending — even if it means cutting programs such as [Medicare](http://www.lasvegassun.com/news/2011/aug/12/jobs-are-key-getting-economy-track/) that families increasingly depend on to get by in this stagnant economy.¶ Yet days after Congress passed the debt-ceiling deal, the Dow Jones industrial average continued to plunge. What Wall Street knows is that the solution to strengthening our economy isn’t in partisan stances or sound bites.¶ What our economy needs is to get Americans back to work.¶ How we get there in this state requires our elected officials to put aside politics and show real leadership and address Nevada’s primary obstacles to creating [jobs](http://www.lasvegassun.com/news/2011/aug/12/jobs-are-key-getting-economy-track/): much-needed tax reform, investing in education and stopping the outsourcing of Nevadan jobs to out-of-state workers.

#### The infrastructure bank will also solve econ short term independently of jobs

**CNN 7-9**-11 (Cable News Network, John Avlon - CNN contributer, 3 bipartisan bills that could get the economy moving - Public private infrastructure bank, 7-9-11, <http://www.cnn.com/2012/07/09/opinion/avlon-three-bills-economy/index.html>)

The bipartisan BUILD Act is a no-brainer that has been stalled for good reason.¶ It would create a public-private bank to seed investment in America's aging infrastructure, improving our resilience and competitiveness over the long term while spurring the economy in the near term. ¶ "In a time of budgetary crisis, the American Infrastructure Bank pays for projects with private money now sitting on the sidelines," attests Michael Likosky, director of NYU's Center on Law & Public Finance. "Every country uses private capital to build projects except for the United States. We are an island."¶ "We are poised for a new era of prosperity if we could gain consensus on the fact that our infrastructure needs to be rebuilt," agrees John Hofmeister, the former CEO of Shell Oil. "It was designed for a time in the past when our country had a different population."¶ Voters look beyond monthly jobs numbers¶ President Obama has backed this bipartisan infrastructure bank bill as more feasible than a version his administration pushed earlier. "President Obama is the biggest proponent of public-private partnerships to hold office to date," argues Likosky. "The Infrastructure Bank is a rare case of a popular bipartisan idea, born in the Beltway, that has been adopted by governors and mayors." It is trickle-down policy-making. It's also smart policy-making that business and labor, Republicans and Democrats, should all be able to agree on.

### Ext: Bioterror

#### State Budget cuts decreases response to possible bio-terror attacks

Proebstle ’11 ( Proebstle, Stacy – Reporter for townsquare media. "Hit With Budget Cuts, NJ Bio Terror Threat Real." Wobmam. N.p., 12 22 2011. Web. 12 Jul 2012. <http://wobmam.com/hit-with-budget-cuts-nj-bio-terror-threat-real-audio/>.)

Is New Jersey prepared for a possible anthrax attack or pandemic flu outbreak? A new report by Trust For America’s Health shows major cuts to federal and state funding are threatening the state’s ability to respond to bio terror attacks.¶ “Over the last year New Jersey has cut funds to public health by 15%. Trenton is one of the cities at risk for elimination of money that would help it rapidly distribute vaccines during emergencies” said Rich Hamburg, deputy director of Trust For America’s Health.¶ Hamburg says the bit of good news is that preparedness had been on an upward trajectory in recent years., “This is our ninth report and when things were good nationwide, programs were being funded, we saw that a lot of states over the last few years had picked up flu pandemic plans in which many did not have them at all.¶ The report says:¶ - In the past year, 40 states and the District of Columbia have cut funds to public health.¶ - Since 2008, state health agencies have lost 14,910 people through layoffs or attrition; local health departments have lost 34,400.¶ - Federal PHEP grants – Public Health Emergency Preparedness grants – were cut 27 percent between fiscal 2005 and 2011, when adjusted for inflation.¶ - Some 51 cities are at risk for elimination of Cities Readiness Initiative funds, which support the rapid distribution of vaccinations and medications during emergencies.¶ But the concern is that because of the economic crisis, New Jersey might not be as prepared today as it was a few years ago.¶ “The East Coast is doing much better than a lot of other places, but at some point…and I think we are there now…there will be choices that have to be made. Do we fund 7 of these programs or 10?…and the ones that get cut or lose funding can have a real impact on the public’s health.”

#### Failure to mitigate bioterror risks extinction

STEINBRUNNER (Defense Analyst) ’98 [John, Foreign Policy, Winter, Proquest//delo-uwyo]

It is a considerable comfort and undoubtedly a key to our survival that, so far, the main lines of defense against this threat have not depended on explicit policies or organized efforts. In the long course of evolution, the human body has developed physical barriers and a biochemical immune system whose sophistication and effectiveness exceed anything we could design or as yet even fully understand. But evolution is a sword that cuts both ways: New diseases emerge, while old diseases mutate and adapt. Throughout history, there have been epidemics during which human immunity has broken down on an epic scale. An infectious agent believed to have been the plague bacterium killed an estimated 20 million people over a four-year period in the fourteenth century, including nearly one-quarter of Western Europe's population at the time. Since its recognized appearance in 1981, some 20 variations of the hiv virus have infected an estimated 29.4 million worldwide, with 1.5 million people currently dying of aids each year. Malaria, tuberculosis, and cholera-once thought to be under control-are now making a comeback. As we enter the twenty-first century, changing conditions have enhanced the potential for widespread contagion. The rapid growth rate of the total world population, the unprecedented freedom of movement across international borders, and scientific advances that expand the capability for the deliberate manipulation of pathogens are all cause for worry that the problem might be greater in the future than it has ever been in the past. The threat of infectious pathogens is not just an issue of public health, but a fundamental security problem for the species as a whole. ¶ In recent years, this realization has begun to seep into international security deliberations. An unintended outbreak of a virus resembling ebola among monkeys at a research installation in Reston, Virginia, in 1989 raised awareness of the natural threat, and several authoritative reports have since called for substantial improvements in global disease surveillance. Concern about the use of biological weapons rose with revelations that Iraq had deployed anthrax weapons during the Gulf War and that the Aum Shinrikyo sect apparently had attempted to attack the Imperial Palace in Tokyo with botulinum toxin, the first putative episode of actual use since World War II. In reaction to these events, the United States has strengthened legal authority to preempt terrorist threats, has established more extensive regulations for handling hazardous biological agents, and has created for the first time special military units continuously prepared to respond to domestic incidents. Internationally, negotiations are under way to strengthen the Biological and Toxin Weapons Convention (BWC) of 1972-now the central international legal instrument for preventing the hostile use of pathogens-and President Bill Clinton has pledged to complete an agreement by 1998. But these efforts are merely tentative first steps toward dealing with a problem that vitally affects the entire human population. Ultimately the world's military, medical, and business establishments will have to work together to an unprecedented degree if the international community is to succeed in containing the threat of biological weapons. ¶ [A CLASS UNTO THEMSELVES](http://80-weblinks3.epnet.com.proxy.uwlib.uwyo.edu/citation.asp?tb=1&_ua=bo+B%5F+db+aphjnh+bt+TD++%22FPO%22+4EF2&_ug=sid+8F1F020A%2DDBE4%2D4BFC%2DAE8F%2D73F708965C89%40sessionmgr2+dbs+aph+E55E&_us=sm+KS+dstb+KS+ri+KAAACB2D00018047+fcl+Aut+sl+%2D1+or+Date+5F65&_uh=btn+N+6C9C&_uso=st%5B0+%2DJN++%22Foreign++Policy%22++and++DT++19971201+tg%5B0+%2D+db%5B0+%2Daph+op%5B0+%2D+hd+False+B6D5&fn=1&rn=13" \l "toc#toc) ¶ Although human pathogens are often lumped with nuclear explosives and lethal chemicals as potential weapons of mass destruction, there is an obvious, fundamentally important difference: Pathogens are alive, weapons are not. Nuclear and chemical weapons do not reproduce themselves and do not independently engage in adaptive behavior; pathogens do both of these things. ¶ That deceptively simple observation has immense implications. The use of a manufactured weapon is a singular event. Most of the damage occurs immediately. The aftereffects, whatever they may be, decay rapidly over time and distance in a reasonably predictable manner. Even before a nuclear warhead is detonated, for instance, it is possible to estimate the extent of the subsequent damage and the likely level of radioactive fallout. Such predictability is an essential component for tactical military planning. The use of a pathogen, by contrast, is an extended process whose scope and timing cannot be precisely con trolled. For most potential biological agents, the predominant drawback is that they would not act swiftly or decisively enough to be an effective weapon. But for a few pathogens-ones most likely to have a decisive effect and therefore the ones most likely to be contemplated for deliberately hostile use-the risk runs in the other direction. A lethal pathogen that could efficiently spread from one victim to another would be capable of initiating an intensifying cascade of disease that might ultimately threaten the entire world population. The 1918 influenza epidemic demonstrated the potential for a global contagion of this sort but not necessarily its outer limit.

### Bioterror risk high

#### RAPID BIOMEDICAL PROGRESS MAGNIFIES CBW THREAT

**WHEELIS** (Sr. Lecturer, Microbiology, UC-Davis) **‘03**[Mark “Biotechnology and Biochemical Weapons,” The Nonproliferation Review, Spring, pp. 48-53//delo-wyo]

An immense amount of time and money are being invested into these biomedical fields, and the rate of discovery is very rapid. Furthermore, this is a field in which fundamentally new methodologies are one of the principal drivers. Since new methods open up entire new categories of questions, they act to stimulate the rate of progress significantly. ¶ The intellectual base of the methodologies is supported by an immensely sophisticated and rapidly growing micro-scale instrumentation and computational base. The computer-controlled reaction vessels, ultrahigh throughput screens, robotic microarray printers and readers, time-of-flight mass spectrometers, high speed sequencers, and other devices have been critical to the development of the field. So, too, has the exponential growth of computer speed and memory, as well as the sophistication of software, since all of these laboratory technologies depend on computers for the collection and analysis of data. Indeed, bioinformatics is probably now the rate-limiting technology, as the flood of genomic and proteomic data is overwhelming the capacity to integrate and understand it. ¶ The intellectual momentum of this science is immense and clearly unstoppable. Thus a very large number of new, highly toxic compounds with precisely understood and controllable physiological effects will soon be discovered. Many of these will enter production as drugs or as research reagents. The range of known potential CW agents will thus broaden by a very large factor in a very short period of time, and most of them will be synthesized from precursors that are not currently regulated under the CWC.

#### CURRENT BW THREAT ASSESSMENTS ARE INADEQUATE

**MOODIE** (Pres., Chemical & Biological Arms Control Institue) **’01** [Michael, Testimony before Senate Subcommittee on Int’l Security, Federal Document Clearing House Congressional Testimony, 7 November, LN]

The emphasis on vulnerabilities that derives from a focus only on a single factor such as the agent has several drawbacks:¶ First, vulnerability assessments, especially those focused on BW, portray dangers that are virtually infinite. As a result they provide no criteria or metric against which to plan. The result is either policy paralysis in the face of an overwhelming challenge or pressure to commit enormous funds that will never be enough.¶ Second, they foster worst case thinking that skews resources toward high-consequence, low probability contingencies.¶ Third, vulnerability assessments transform “what ifs” into tangible contingencies. They provide no sense of whether what is theoretically possible in fact matches the reality of what is likely to happen.

EASY FOR TERROISTS TO GET CBW MATERIAL: STATE SPONSORSHIP, THEFT

**STERN** (JFK School of Government, Harvard) ’**99** [Jessica, The Ultimate Terrorists, p. //wyo-delo]

Terrorists might be able to acquire chemical or biological (CB) agents from governments favorable to their cause. CB agents are proliferating. In 1997 Secretary of Defense William Cohen estimated the number of countries with "mature chemical and biological weapons programs" at "about thirty;' and the CIA claimed that around twenty nations had developed these weapons.2 Iran, Iraq, Libya, North Korea, and Syria­alllistea by the State Department as supporters of terrorism-are believed to possess chemical weapons and at least some biological weap­ons. Iraq's CB programs are quite extensive (see Chapter 7). The small quantities of CB agents required for an attack wotJld make it very dif­ficult to track the flow of the weapons or their component chemicals to terrorist groups. Terrorists also might be able to steal CB agents from national stockpiles. In Albania in 1997, according to an Albanian military offi­cial, antigovernment bandits stole chemical weapons and radioactive materials from four army depots. The stolen materials, the official warned, posed serious health hazards.3

# Inherency

### Model Infrastructure Bad

#### Status quo targeted infrastructure investments exacerbate structural ills

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

What followed—the American Recovery and Reinvestment Act (ARRA)—was the most important and visible infrastructure policy effort of the past year and reflected a belief that infrastructure investment could provide both short-term jobs and long-term growth. Our early and ongoing assessments of ARRA found that the law usefully directed billions of dollars toward infrastructure. In fact, we estimate that, excluding the tax cuts, about a quarter of the total recovery package is directed toward infrastructure.

Unfortunately, the need for fast action meant the nation had to rely on existing “business-as-usual” delivery systems. As a result it thwarted any conversation about real reform and reinforced the approach of spreading money around instead of targeting investments. The administration’s one spatial directive of investing in so-called economically distressed areas only made a bad situation worse.

### **No Federal Control over investment**

#### The federal government has limited control over their investments, states free-ride on grants displacing spending

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

To understand the federal investment process for infrastructure today we need to examine both how the federal government plans and manages for the assets it owns and also for those in which it invests, but are owned by states, municipalities, and others. For the former, OMB provides detailed guidance to federal agencies on the capital process.25 While it is true that there is no unified federal capital plan, OMB helps federal agencies budget, plan, and prioritize their capital projects.26 The goal is to make sure that the capital assets in each agency contribute to the fulfillment of agency objectives. OMB’s capital process guide, first released in 1997 and expanded in 2006, integrates the executive and legislative initiatives that affect the federal capital process.27

OMB recommends frequent use of cost-effectiveness or benefit-cost analysis (BCA) in deciding whether investment in a new capital asset is the best way to fulfill an agency’s needs. In addition, a BCA is considered the fundamental method of selecting a capital asset, by ranking the net present benefit of several options available.28 Both benefits and costs should be estimated in a lifecycle manner and benefits should be estimated in relationship with the goals and needs of the agency. While OMB recommends monetary quantification of both benefits and costs, it does acknowledge that qualitative considerations—explicit regulatory requirements, considerations of business strategy, or unquantifiable social benefits or costs—may be important in the final evaluation.29

Over the years, GAO examined how selected federal agencies plan and budget for capital assets and to what degree they follow OMB’s guidelines.30 The agencies implement the main principles of capital planning and budgeting, but the results vary. While linking the proposed investments with the strategic goals of the agency is common, several agencies had problems with conducting asset inventories and assessments of the condition of their assets (i.e. the Department of Veterans Affairs and the U.S. Customs and Border Protection).31

One of the major criticisms of the current federal capital process is of the full funding requirement. The current rule requires that budget authority for the full costs of the asset be enacted in advance of any commitment by the federal agency.32 This rule results in spikes in spending, especially for small agencies. In an era of tight budgets and soaring deficits, there is a concern that federal agencies might forego capital spending due to this requirement.

However, full funding is also one of the few existing mechanisms to ensure long-term accountability of the federal government for its investment decisions.33 It is a fiscal control mechanism, because a lack of upfront fully committed funding can lead to higher delivery costs if a project is halted and re-started several times, or worse, half-finished projects—or so-called white elephants—that run out of money entirely.34 This type of budgeting eliminates the crowd out effect of multiple contingent appropriations associated with an earlier project on the funding of future projects. Also, Congress will not have to be in the situation to continue funding a project that is no longer wanted. Upfront full funding is a federal budget scorekeeping rule, enforced by OMB, and not a rule by statute. In fact, the laws are more lenient. The statutes require federal agencies, such as the Army Corps of Engineers, to have adequate budget authority for individual contracts.35 In contrast, full funding regulation asks the federal agency to get upfront funding for an entire project, even if it includes several contracts.

But as discussed, most federal investments in transportation are grants to state and local governments. The federal surface transportation programs are jointly administered by the federal, state, and local governments, but the federal government has little involvement in the selection or management of the assets in which it invests. The federal government deals with its investment in surface transportation on a program basis, without direct control over the vast majority of individual projects like highways. Once funds are appropriated (largely by formula), the states can distribute them among projects within various program categories as they see fit. In fact, the U.S. code neuters the federal role and specifically says that the appropriation of highway funds “shall in no way infringe on the sovereign rights of the states to determine which projects shall be federally financed.”36

Over the years, the federal government has increasingly delegated the oversight responsibility over its investment in state and local transportation assets to the grantees. For example, federal government oversight in transit occurs only for major capital projects that cost over $100 million. For the rest of the federal transit investment, the grant recipients self-certify their compliance with the federal laws and regulations. This self-verification of compliance with federal requirements has also increased in the field of planning and project selection, which are requirements for receiving federal assistance.37 There is limited linkage between federal investments in state assets and the goals of the federal programs. The surface transportation program goals are sometimes unclear or contradictory.38 Even when goals are related to specific performance outcomes (i.e. congestion, highway fatalities), they are not included in funding formulas. The states do not have any incentive to increase the performance of the federal investments, as long as the formulas are agnostic to rewarding this type of behavior.39 In addition, the flexibility of the states in allocating federal funds complicates the ability of the federal government to target certain goals.

The federal investment in state and local assets does not necessarily result in a correspondingly higher level of public investment overall. As GAO found, the structure of federal highway grants is fundamentally flawed: “The federal grant system does not encourage states to use federal grants to supplement their own spending but rather results in states using federal grants to substitute for their own spending.”40 In a recent study using latest data (1983–2000), GAO finds this “substitution rate” to be as high as 50 percent.41 This means that for every dollar of federal spending, states have withdrawn 50 cents of their own spending. These results are supported by numerous studies that confirm the federal aid displacement of state investment.42 In short, the federal budgeting community agrees that federal government does not treat federal investment appropriately.43 While both the federal capital process and the federal grants to states have their own problems, there are three main problems plaguing the federal investment process as a whole:

1. Bias against maintenance. While federal investment allows maintenance funding, most of the investment is geared towards new capital assets. To the extent federal investment supports maintenance, state and local grantees use their transportation grants to cover major maintenance, such as major rehabilitation and repair of capital assets. However, without the funding of appropriate preventive maintenance, the useful service life of infrastructure assets is shortened unnecessarily. Analyzing data provided by the Federal Highway Administration (FHWA), the Congressional Budget Office (CBO) found that maintenance of existing road infrastructure has higher net benefit than new construction, beyond a certain point.44 Efficient resurfacing projects had an average benefit-cost ratio double that of new lane projects.45 Through the federal capital process, federal agencies are required to conduct asset inventories that would assess the capital assets’ condition and need of maintenance. In addition, Federal Financial Accounting Standards require the agencies to report deferred maintenance.46 The federal agencies vary in the implementation of these conditions.47 Federal transportation grants to states for new capital assets do not have adequate maintenance clauses. Given that the grant programs allow for the inclusion of major repair and rehabilitation projects, states do not have a strong incentive to spend on preventive maintenance but rather let assets degenerate until they can qualify for more federal money.48 This result has been reinforced by the fact that state and local governments cannot use the money resulting from a tax exempt bond issue to cover maintenance.49 However, deferred maintenance should affect the creditworthiness of state and local governments due to its impact on the condition of the borrowers’ assets.50

2. Flawed selection process. In general, government investment is justified if the targeted capital asset is associated with a market failure and produces a net welfare benefit to society. While the market failure is usually easily identifiable, the costs and benefits of federal government financing for a project are harder to estimate. Many have called for investment in a capital asset to be justified based on economic analysis, such as a BCA or wider BCA that would intertwine quantitative and qualitative factors. While there are legal requirements for BCA based approaches, there is no uniform implementation or estimation for a wide range of projects. The Federal Capital Investment Program Information Act of 1984 requires the federal budget to include projections of public civilian capital spending and recent assessments of public civilian physical capital needs.51 Also, an Executive Order from 1994 clearly specifies the requirements of BCA for federal investment in infrastructure, in all federally-financed assets.52 It refers to the estimation of market and nonmarket costs and benefits over the full life cycle of a project. Further, it directly addresses the issues of demand management, implementation of better management practices to improve the return of current projects, and involvement of states, as recipients of federal grants.

Federal agencies are supposed to use these principles to justify major infrastructure investment and grant programs, those in excess of $50 million annually. With all the legal requirements in place, BCA is not done consistently by federal agencies.53 The states themselves often do not use formal BCA in deciding among alternative projects and regular evaluations of outcomes are typically not conducted.54

3. Insufficient long-term planning. A major complaint is the “short sightedness” of the federal investment process. The federal budget is released and updated annually, but there is little attention to long-term plans, and there are no mechanisms to hold policymakers accountable for the long-run effects of annual budgetary implementation. Overall, federal agencies lack comprehensive long-term capital plans.55 While not providing a unified view at the federal government level, a federal agency’s long-term capital plan would show an agency-wide perspective to inform congressional appropriations committees.56 Some congressional staff responsible for resource allocation and oversight of federal agencies expressed interest in receiving this type of information.57

The federal transportation grants have contract authority that allows states to do multiyear planning and contracting. The federal surface transportation program provides an 80 percent matching grant to states to conduct statewide planning and to develop long-range statewide plans. These plans “should include capital, operations and management strategies, investments, procedures, and other measures to ensure the preservation and most efficient use of the existing transportation system.”58 While both the federal agencies and the grantees have to develop long-term capital plans, there is no comprehensive long-term strategic view for the capital assets financed by the federal government. There is no incentive for decisionmakers to push for better long-range planning, because there is no accountability mechanism to assess the long-term results of federal investment.

The federal investment process does not appropriately allocate resources either through federal agencies or state and local recipients. Bias against maintenance, a flawed selection method and insufficient long-term planning plague the federal investment process. Overall, these problems result from both the incentives provided by the legal or regulatory framework and their implementation. For example, while operating leases score lower in the federal budget, they also lead to underinvestment in federal capital.59

Besides the shortages of the OMB capital guide and the existing statutes, the administrative discretion of the federal agencies and the grantees contribute to the deficiencies in the federal investment process. The federal agencies do it because of inability to follow a multitude of regulations and executive orders, in the context of ever changing policy objectives. This issue is complicated in the case of the U.S. Department of Transportation that mostly assists state-run transportation programs.60 The local and state grantees drive the capital planning and management of the transportation assets funded by the federal government. A clear and direct link between investment decisions and outcomes would help both federal agencies and grantees in managing the federal investment process.

### Funding Shortfalls

#### **Transportation Stopgap measures will fail funding shortfalls are inevitable**

Energy Security Leadership Council 2011 “Transportation Policies for America’s Future Strengthening Energy Security and Promoting Economic Growth” February 2011, General P.X. Kelley, USMC (Ret.) 28th commandant, u.s. marine corps, Frederick W. Smith, chairman, president & ceo, fedex corporation.

In 2009, the Highway Account ran a deficit of $7.3 billion after outlays of almost $38 billion.42 The Transit Account is smaller, but is also running deficits, with revenues of about $4.8 billion and outlays of $7.3 billion in FY 2009.43 Due to the injection of stimulus funds, the Transit Account ended FY 2009 with a closing balance of $5.2 billion, but within a few years this balance is expected to once again go negative without further injections (Figure 2.7).44

Recent actions taken by Congress have only provided a temporary solution. Over the last three years, Congress has enacted emergency legislation to support the HTF using general fund transfers. In 2008, $8 billion was transferred, followed by another $7 billion in 2009, and then another $19.5 billion in March 2010, which extended funding for formula programs through to December 31, 2010. The Congressional Budget Office (CBO) expects this transfer to support the existing contractual obligations of the highway and transit programs through 2013.45

Many potential solutions have been proposed to address the funding deficiencies of the system. In September 2010, for example, a permanent infrastructure bank that would leverage public and private capital to invest in projects with national and regional significance was proposed. A similar idea was first advanced in the Senate, and legislation based upon the concept has also been introduced in the House of Representatives. Other policymakers have also recently pushed for greater investment in transportation infrastructure.46

### Investment Low

#### Infrastructure investment is unsustainable – new sources of capital are key

Energy Security Leadership Council 2011 “Transportation Policies for America’s Future Strengthening Energy Security and Promoting Economic Growth,” February 2011, Admiral Dennis C. Blair, U.S. Navy (Ret.) former director of national intelligence and commander in chief, u.s. pacific command, General Bryan “Doug” Brown, U.S. Army (Ret.) former commander, u.s. special operations command, … and several others…, http://tinyurl.com/6nlvbbn

As the government mandates more stringent fuel economy standards, and consumers continue to shift to more efficient and alternatively-fueled vehicles, the outlook for U.S. transportation system funding—90 percent of which comes from fuel taxes—is becoming increasingly unsustainable. Outlays Exceed Revenues The present federal funding mechanism for highway and transit programs—the HTF—is different from most federal spending in that the bulk of the revenues come from people who pay fuel taxes. Because federal fuel taxes are levied on a per-gallon basis and have not been increased since 1993, their real value has declined by around one-third. This, combined with the fact that spending has climbed steadily, has necessitated infusions from the general fund of $34.5 billion over the past three years (with more bailouts expected to be necessary until the system is restructured). The primary revenue sources for the Highway and Mass Transit Accounts are an 18.4-cent per gallon tax on gasoline and 24.4-cent per gallon tax on diesel fuel. The Mass Transit Account now receives 2.9 cents per gallon of those fuel taxes.39 Although there are other sources of HTF revenue, such as truck registrations and surcharges on truck tires, fuel taxes provide about 90 percent of the revenue to the funds. Therefore, the current federal transportation funding regime must rely on continually rising gasoline consumption to support increased spending. As shown in Figure 2.6, with the exception of the late 1970s and early 1980s, consumption has in fact risen steadily. In recent years, however, it has flattened out (and actually declined temporarily as oil prices spiked and the global financial crisis took hold), and the EIA—which does not assume significant fleet penetration of alternative fuel vehicles—expects that it will decline only slightly through 2020. More stringent fuel economy standards announced in 2009 and 2010, as well as the push for revolutionary technologies such as electric vehicles, mean that fuel consumption—and fuel tax revenue— may continue to decline more rapidly in the future. As recently as 1998, the HTF was running such a large surplus that Congress transferred $8 billion from it to the general fund. In 2001, the HTF reached a cash balance historical high of around $20 billion. Since then, however, the balance has steadily declined simply because annual outlays are exceeding receipts collected from federal gas taxes and other HTF revenue sources. 40 In 2005, estimated outlays exceeded estimated revenues, and it was forecast that if realized over the FY 2005 to 2009 authorization period, the balance would fall to approximately $400 million by the end of FY 2009. Actual revenues for FY 2008 were about $4 billion lower than expected due to fewer purchases of trucks and motor fuel, and USDOT received indicators that the Highway Account balance was declining faster than expected.41 In 2009, the Highway Account ran a deficit of $7.3 billion after outlays of almost $38 billion.42 The Transit Account is smaller, but is also running deficits, with revenues of about $4.8 billion and outlays of $7.3 billion in FY 2009.43 Due to the injection of stimulus funds, the Transit Account ended FY 2009 with a closing balance of $5.2 billion, but within a few years this balance is expected to once again go negative without further injections (Figure 2.7).44 Recent actions taken by Congress have only provided a temporary solution. Over the last three years, Congress has enacted emergency legislation to support the HTF using general fund transfers. In 2008, $8 billion was transferred, followed by another $7 billion in 2009, and then another $19.5 billion in March 2010, which extended funding for formula programs through to December 31, 2010. The Congressional Budget Office (CBO) expects this transfer to support the existing contractual obligations of the highway and transit programs through 2013.45 Many potential solutions have been proposed to address the funding deficiencies of the system. In September 2010, for example, a permanent infrastructure bank that would leverage public and private capital to invest in projects with national and regional significance was proposed. A similar idea was first advanced in the Senate, and legislation based upon the concept has also been introduced in the House of Representatives. Other policymakers have also recently pushed for greater investment in transportation infrastructure.46

# Solvency

## Private Investment

### Private Capital

#### Private funding has enough capital

Brad Plumer; Washington Post; September 19, 2011 “How Obama’s plan for infrastructure bank would work” <http://www.washingtonpost.com/business/economy/how-obamas-plan-for-infrastructure-bank-would-work/2011/09/19/gIQAfDgUgK_story.html> NCHO

In recent years, reams of white papers have come out describing how much of the nation’s transportation, water and energy infrastructure is in shambles. A 2010 Government Accountability Office report, for one, found that a quarter of the country’s 600,000 bridges are either “structurally deficient” or inadequate to today’s traffic needs.¶ Most U.S. infrastructure is funded through either federal outlays or state and local municipal bonds. The country lacks a central source of low-cost financing for big construction projects, akin to the European Investment Bank.¶ The private sector chips in just 6 percent of infrastructure funding, although supporters of the bank say that number could be higher. Last year, Robert Wolf, chairman and chief executive of UBS Americas, told the Senate Banking Committee that there was more than $180 billion of private-equity and pension-fund capital available for infrastructure investments.¶ The White House estimates that its infrastructure bank could ultimately backstop about $100 billion to $200 billion in construction. That would, in theory, boost the overall size and impact of its jobs bill, which nominally costs $447 billion.¶ But that depends on how quickly the money flows. Sen. John F. Kerry (D-Mass.), who has backed a bank bill in the Senate, has said “We have projects all across America that are ready to go tomorrow.” Yet other supporters, including the Chamber of Commerce, sound more cautious, saying it could take a few years for the pipeline of projects to get going.

#### FIB solves best through investment unlike traditional methods that are considered “waste of money”

**Council on Foreign Relations, 7/3**/12 (Elizabeth Dovell – contributor, “U.S. Rail Infrastructure

Policy Options”, http://www.cfr.org/united-states/us-rail-infrastructure/p27585)

Over the past three decades, aviation and highway infrastructure have received more than a trillion more federal dollars than rail. For nearly a decade, Amtrak's federal funding was stagnant or falling. But in 2008, a year with historically high gasoline prices, Congress nearly doubled rail funding (WSJ).¶ When President Obama took office in 2009, as part of the American Recovery and Reinvestment Act, he allocated $8 billion for high-speed rail projects. The administration also announced the creation of the High-Speed Intercity Passenger Rail program. The proposal included a $1 billion per year allocation for the next five years for high-speed rail investment in strategic areas around the country, such as Chicago, New York, and Los Angeles. The HSIPR program was also designed to address other outstanding rail transport problems around the country, and sought to upgrade existing passenger rail lines to increase speed and efficiency of services. In February 2011, Vice President Biden announced a six-year plan to build a HSR network that would fulfill President Obama's promise to grant HSR access to 80 percent of the country within twenty-five years.¶ But in November 2011 the U.S. Senate and the House of Representatives killed HSR stimulus funding (USA Today), a measure that was controversial from the start. It faced opposition at the state level, where some lawmakers and policy analysts claimed high-speed rail was impractical and a waste of taxpayer dollars. Republican governors from Florida, Ohio, and Wisconsin rejected their HSR stimulus grants (TransportationNation), calling for the redistribution of funds to other infrastructure and transportation projects. In spite of the funding setback, the Department of Transportation announced in its 2011 DoT Year in Review the accumulation of $9.4 billion in Federal Railroad Administration grants for HSR innovation.¶ 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."

### Investment Uniqueness: Interest High

#### Investment interest is high now

Tanya Snyder, Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio, 10/07/2011 “Does the Elusive Infrastructure Bank Already Exist?” http://dc.streetsblog.org/2011/10/07/does-the-infrastructure-bank-of-our-dreams-already-exist/

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.”

Tanya Snyder became Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio. She lives car-free in a transit-oriented and bike-friendly neighborhood of Washington, DC.

#### Private capital investment interest is high

Matt Strader, Assistant Secretary for Transportation in Virginia, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. PUENTES: Matt, are you still seeing this on this interest from the private -- we hear this all the time, that there’s this palpable interest, private folks are ready to invest, the money is out there, we just need direction, we need guidance. I mean, Virginia has a long history.

MR. STRADER: Yeah, there’s still a lot of interest. It seems like almost every week there’s another fund, another infrastructure investment group coming and wanting to talk to us about investing in Virginia. And I think one of the things that we’re really going to try and focus using the money on the bank for -- in the bank for is to help fund this PBTA type projects, because right now Virginia doesn’t have a dedicated source of funding for the public subsidy portion of the PBTA.

And, you know, we have a laundry list of projects that we’d like to get moving on. You know, first off, 460, we just received three bids for the 460 project last week. We’d also like to look at adding another tunnel to HRBT -- the Hampton Roads Bay Bridge Tunnel -- a third crossing, 66 hot lanes, winding I-64, just any number of projects that are in the pipeline down the road that we really see using this bank to help, you know, fund up-front subsidy -- or not really subsidies, but as another option for the private sector to get money to help pay for these projects.

### Private capital good

#### Infrastructure bank can invest more money than traditional government grants

**Reuters, 8/11** (John Wasik, contributor of Reuters - the world's largest international multimedia news agency, “Job creation: Fixing America with an infrastructure bank”, http://blogs.reuters.com/reuters-money/2011/08/05/job-creation-fixing-america-with-an-infrastructure-bank/)

We have iPhones, iPods and iPads. Why not an “iBank?”¶ This wouldn’t be an electronic gizmo that’s obsolete in a year, though. It would be a public-private partnership to bolster America’s infrastructure. It will create jobs, cut the deficit and repair what needs to be fixed all over the country.¶ An infrastructure bank, or iBank, solves a lot of problems without busting the budget. Instead of providing direct government grants or earmarks for specific projects, loans are made by a government-banking entity.¶ The U.S. is inexcusably late to the game on this time-tested idea. The European Investment Bank has financed some $350 billion in projects from 2005 through 2009. China spent 9 percent of its gross domestic product — also roughly $350 billion — to build subways, highways and high-speed rail in 2009 alone. Brazil invested $240 billion over the past three years.¶ The idea is not without high-level support. President Obama recently called for the creation of an iBank. In backing a U.S. iBank, Senator John Kerry of Massachusetts testified last year that “a national infrastructure bank will make Americans builders again.”¶ If the iBank became reality — and really it’s a necessity to compete in a globalized economy — there’s no shortage of projects. According to the American Society of Civil Engineers, more than $2 trillion is needed to fix U.S. bridges, dams, waterways and wastewater plants.¶ The sheer scale of a big fix is staggering: Some 69,000 bridges need to be repaired. The outdated electrical grid needs to be modernized everywhere. You can build solar plants and windmills all you want, but if you have no power lines to transport the electrons from the deserts and plains, you’re whistling in the wind.¶ Several spin-offs of an iBank have been floating around for years, and the idea already has support across the political spectrum. A “Clean Energy Bank” would fund solar energy equipment. Sen. Bernie Sanders of Vermont, supports legislation that would install 10 million roof solar panels. Sen. Mark Kirk of Illinois proposed a “Lincoln Legacy” infrastructure bill.¶ How is the iBank different from just handing out the money to each Congressional district and letting the local representative decide where the money should go?¶ In Kerry’s vision, federal dollars would be matched with private dollars from pension funds and endowments. Kerry told the Time’s Joe Klein recently that “a $10 billion federal contribution will leverage about $640 billion in private investments.” Kerry claims he has support from business, labor and Republican Senators.¶ Instead of doling out pork-barrel funding for bridges to nowhere, an independent board would decide which projects are needed most. It’s the inverse of a military base closing commission. Instead of shutting down facilities, this entity would greenlight and finance the most-worthy projects.¶ One thing an iBank wouldn’t be is another big-check stimulus plan, which Congress passed in 2009. That nearly $800 billion package was a huge fiscal band-aid to help states, school districts and wage earners through the recession. Yes, there were some public works projects that created short-term jobs, but the bulk of the money went to tax relief and the states.¶ The U.S. needs a new approach to economic triage. The June jobs report was nothing short of dismal as employment growth hit a wall with only 18,000 new jobs coming on the market.¶ Crumbling infrastructure will cost the U.S. economy nearly 1 million jobs and shave $3.1 trillion from gross domestic product by 2020, the Society of Civil Engineers estimates.¶ What about the budget? Isn’t there a disconnect between the current passion for cutting the federal deficit and spending money to fix America?¶ There’s little question that putting people to work will help the economy. Working people pay income, sales and property taxes, which flow back into communities. The steadily employed buy homes, vehicles and appliances. Increased tax revenue in turn reduces the deficit.¶ The iBank may be able to accomplish what a decade of personal income and estate-tax cuts didn’t: Provide the necessary public-private capital to revive the economy. Not even Harry Potter can make magic work on the U.S. economy without some significant infrastructure investment.

### Public Private Good

#### NIB resolves hesitancy of private capital to invest in national infrastructure

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Second and perhaps more important in the long term, the current arrangements for infrastructure finance fail to marry the private appetite to provide infrastructure financing with the availability of potentially profitable infrastructure projects. Investors will readily confess that the risks associated with building new infrastructure assets are too large and complex for them to bear. That is because no mechanism exists to calculate and separate public (social) and private (appropriable) benefits and that distinguishes among the risks accordingly. For example, cost overruns due to public sector project management are not fair game for a private investor, but failure to achieve traffic targets might be.

A Bank, beyond rationalizing project selection, offers the prospect of finding terms on which private money can enter the active provision of capital for new projects. Advocates for a Bank often speak of gearing or leverage ratios when discussing the advantages of such an institution. But this leverage will be built from the ground up, on a project-by-project basis — if the government puts up ‘x,’ then private investors will be invited to put up ‘y.’ This is more likely than investors buying bonds or preferred stock from a Bank simply because it announces it is open for business.

And if investors do flock to offer money in such a fashion, then it is likely because they have come to believe that the Bank has the same kind of implicit guarantees that other government enterprises have famously abused. One good measure of any infrastructure proposal’s success, therefore, is its ability to bring private risk capital to these investments on a case-by-case basis.

#### Public private partnerships increase American global economic competitiveness, efficiency, and longevity of infrastructure

Stephen Goldsmith, New York City Deputy Mayor for Operations, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

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

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

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

The key question in a debate about infrastructure should be: "How can we produce the most public value for the money?" Answering this question should lead us to pursue both operational and financing innovations. The private sector has an important role to play in both. Public officials can produce more value for the dollar by better structuring the design, construction, operation, and financing of infrastructure projects that produce more lifecycle benefits and fewer handoffs among various private parties. A private partner can often achieve savings for government by identifying operational efficiencies and assuming risk formerly held by the public sector. Unlike the traditional model for bridge construction in which one firm designs, one firm builds, one company finances, and the public maintains, an arrangement which gives the private firm an ongoing responsibility for maintenance or durability will encourage design optimization and likely increase the length of the asset's lifecycle.

Public-private partnerships can produce access to capital that will accelerate the building of critical infrastructure in sectors ranging from transportation to wastewater treatment. However, maximizing their potential to solve America's infrastructure challenges also requires governments to create a regulatory climate conducive to them. Government agencies should be given maximum flexibility to enter into partnerships with the private sector; and private companies should not have to navigate unreasonable tax laws that limit their ability to partner with government entities to produce better public value.

At a time when every dollar counts, extracting maximum public value out of infrastructure investment is crucial. The private sector can be a strong partner to government. By prioritizing long-term value creation over short-term politics, America can bridge the infrastructure divide and ensure our continued prosperity.

## Normal Means

### Delegation NM

#### The bank is delegation

Congressman Keith Ellison 2009, D-Minn United States House of Representatives, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

CONGRESSMAN ELLISON: Well, de-politicizing something that is an instrument of government completely is obviously impossible -- even in the selections that are made there will be political considerations. But I think that, you know, if we put a range of “completely politicized,” to “not politicized at all,” we can certainly move the knob from one end of the spectrum to the other. We can lessen the effects of just base political considerations when it comes down to making these decisions. And, of course, Congress delegates all the time, doesn’t it, you know? And so that wouldn’t be new or even precedent-setting. But I think that it would allow for these projects

### Executive Appointed Board

#### **The board would be appointed by the president**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

How might an infrastructure bank be governed? The three bills would locate the proposed infrastructure banks within the federal government and establish executive branch direction over them through presidential appointments (Table 1). Each bill would have the President appoint the board of the infrastructure bank, and S. 652 would have the chief executive officer be presidentially appointed rather than chosen by the board.59

### Self-Sustaining Good

#### Mandating bank solvency would assure quality project completion

Robert Poole, February 3, 2009, A National Infrastructure Bank? Proposed bank can fill a niche, but current proposal needs to be refocused, director of transportation at Reason Foundation. http://reason.org/news/show/a-national-infrastructure-bank

Rather than simply dismissing the NIB proposal as the wrong direction for expanded and smarter infrastructure investment, I consulted a number of experts in infrastructure finance and asked their assessment. All basically agreed with my critique of the existing proposal-but all of them also argued that since the legislation already exists and has some political momentum, the best approach for critics might be to propose better content for the measure.

The gist of these people's overlapping comments was that there is a role for the federal government to do more to encourage sound investment in large infrastructure projects-at least those like highways, bridges, water and wastewater systems in which a user-fee revenue stream is feasible. There is already nearly $200 billion sitting in infrastructure investment funds, looking for good projects. But there are very few large-scale projects ready to go. What's need is a lot of detailed (and costly) pre-development work to establish basic feasibility, get environmental clearance, and do preliminary design.

Funding those pre-development efforts for user-backed projects of national or regional significance could be done on a soft-loan basis by such an entity-soft in the sense that the loan would be paid back (on a subordinated basis) if the project ultimately gets financed and built, but could be forgiven if the project proved non-viable and did not get financed. The need to make this "bank" self-sustaining would serve as a restraint on funding pre-development work on highly speculative projects.

Another expert, Dana Levenson of RBS, gave the analogy of one of the more successful government-sponsored enterprises, PEFCO (Private Export Funding Corporation). PEFCO started out with a mix of government and private sector capital; it assists with the financing of exports, both as a direct lender and as a secondary market buyer of export loans originated by lenders, and is currently leveraging its capital at a 50:1 ratio. Levenson suggests that on an initial (public plus private) capital of $20 billion, a National Infrastructure Bank modeled after PEFCO could leverage up to $1 trillion in infrastructure. (Even with 25:1 leverage, it could jump-start $500 billion in projects.) But all of that would have to be infrastructure with a user-fee revenue stream to pay back the loans.

In short, I'm persuaded that there is a niche that an NIB could fill, to help this country take advantage of the huge pool of investment funds seeking to invest in U.S. infrastructure. Whoever ends up as our next president should seek to refocus current national infrastructure bank proposals into this sustainable form.

## Localities

### Localities “Skin in Game” Good

#### An NIB reduces infrastructure management pressure on localities, while also increasing their input in the process

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

But the kind of Bank we have described could change the way we think about this trade-off. In fact, it would most likely require such a change by forcing state and local governments to plan more rationally and put more of their own “skin in the game” when proposing new projects. This would give local governments strong incentives to think creatively to maximize efficiencies and returns on their own resources.

The modal infrastructure programs were designed to create a national set of facilities such as roads, airports, water treatment facilities, and so on. In their early stages, virtually any segment of the Interstate Highway System or new airport had a very good chance of having a positive economic return. But now that these systems are mature, there can be no doubt that other related activities can produce returns competitive with new construction. Writing almost two decades ago, Ned Gramlich found that the maintaining the Interstate to its current condition had an annual rate of return of 35 percent, while the return to new segment construction was minimal.2 That finding is likely to be even more true today. We also face a challenge of managing existing assets in order to optimize their use. Pricing, technology, land use, and other non-structural solutions all have an increasingly important role to play here, but these are either not funded by construction-oriented programs or they require that costs be imposed on local users. On-theground infrastructure managers know this better than outside analysts or critics, but the system does not reward these solutions.

I believe that these local managers would welcome federal involvement that forces them to exhaust, or at least exhaustively review, these non-structural alternatives. This would free them up to implement solutions in which they had confidence and avoid pressures to devise new ways to spend free federal dollars.

But the good news is that having local users put some “skin in the game” is a good starting point for getting localities to broaden their search for solutions. Moreover, the Bank itself can move this process along. It can require that proposals be accompanied by a discussion of non-structural solutions, and by using its abovementioned assumptions regarding state and local fiscal carrying capacity, social benefits, and the distribution of income, to determine whether the costs borne by local users are adequate.

## General

### Europe Empirics

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

Mr. Chairman, our commission also applauds Senator Hagel and you for proposing an Infrastructure Bank whose financial governance, project selection and delivery would be focused on funding those projects with the highest economic returns. Right now, road, water, airport and other funding candidates are evaluated using widely disparate assumptions for capital costs, discount rates and other characteristics, if they are evaluated at all. And many projects are funded using fixed cost shares that don’t reflect different local conditions. Moreover, the Bank has the prospect of being unencumbered by earmarks that benefit localities but neglect national and regional priorities. The Bank would, therefore, be modeled after modern investment banks, or, in fact, the European Investment Bank, whose financing of public projects has created a superb and efficient European infrastructure, including a high-speed rail network that is a model of efficiency.

### Speeds up projects

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

Once established, a national infrastructure bank might help accelerate worthwhile infrastructure

projects, particularly large projects that can be slowed by funding and financing problems due to the degree of risk. These large projects might also be too large for financing from a state infrastructure bank or from a state revolving loan fund.44 Moreover, even with a combination of grants, municipal bonds, and private equity, mega-projects often need another source of funding to complete a financial package. Financing is also sometimes needed to bridge the gap between when funding is needed for construction and when the project generates revenues.

### Political Insularity/Jurisdiction

#### An NIB is best, it crosses jurisdictions and is political insular

William A. Galston, , September 7, 2010 9:59am, “Infrastructure Bank Proposal Would Spur Economic Growth” <http://www.brookings.edu/up-front/posts/2010/09/07-infrastructure-bank-galston>

On Monday, President Obama advanced several steps to boost economic growth and job creation, including a national infrastructure bank. In doing so, he resuscitated a proposal, initially offered during his campaign, that enjoys substantial support among legislators in both the House and Senate as well as from workers, firms, and organizations involved in transportation, communication, and construction.

This move reflects, I suspect, the president’s recognition that traditional demand-side stimulus runs up against limits in downturns sparked by financial crises. If individuals and households are burdened with excessive debt, they are more likely to use additional resources from tax cuts and transfer payments to pay down that debt than to make purchases they otherwise would have foregone. And if businesses do not foresee rising consumer demand, they will be reluctant to hire additional workers. In these circumstances, stimulating new investment in infrastructure represents a promising alternative strategy.

Much will depend on the architecture of this proposed institution. There is widespread agreement that it should focus on large regional initiatives that cut across jurisdictional lines and that its decisions should be made by a board of governors insulated from traditional political pressures. To reach the scale at which it could make a real economic difference, it must be able to leverage a modest amount of publicly provided capital to attract much larger amounts of private capital, which would demand a reasonable rate of return. To provide it, most projects the bank funds would have to generate revenue streams from user fees and other sources. The bank could supplement these fees with subsidies that reflect the gap between the private goods projects generate and the public goods whose value cannot be recaptured from individual beneficiaries.

The president’s proposal faces an uncertain fate. With the mid-term election campaign in full swing and political polarization at its highest level in more than a century, cooperation across party lines will be hard to achieve—even though the initial senate bill was introduced with bipartisan support just a few years ago. In the longer term, a bank structured to reduce politically motivated earmarks and to expose proposed infrastructure projects to a market test might attract a broader base of support than is now in evidence.

But whatever its immediate prospects, President Obama’s proposal offers a welcome new direction in an increasingly shrill and decreasingly productive economic debate. It shifts the focus toward the kinds of public action that can help build a more efficient and competitive economy in the long run. And it recognizes a key reality: the consumer-led model of economic growth on which we have depended for decades has hit a wall. It’s time for investment to lead the way, with new partnerships between the public and private sectors. Done right, the infrastructure bank would represent not only a new institution, but also a new paradigm.

#### Massive Transportation bills strap Congress’s ability to adapt to necessary infrastructure needs

Emilia Istrate, Senior Research Analyst, and Robert Puentes 2009, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Metropolitan Policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” Brookings December 2009

Complicating matters further, within the infrastructure category, more than three-quarters of the federal investment in infrastructure consists of transportation grants to state and local governments ($50.4 billion). These grants have “contract authority,” which is a budget authority that allows the U.S. Department of Transportation to obligate funds from the Highway Trust Fund and Airport and Airway Trust Fund in advance of appropriations. Although this federal spending on highways, mass transit and airports is considered discretionary, Congress has little power to change it because its “budget authority,” established in multi-year legislation, is considered mandatory. Congress controls this spending through obligation limitations.

### Rational Decision Making/Budgets

#### NIB resolves politicization with rational calculus that results in completed worthwhile projects

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Consistency may be the hobgoblin of little minds, but it is the foundation of rational investment calculation. In infrastructure, this means, at a minimum, consistency in the assumptions made for future economic growth and its constituents: inflation, the cost of capital and the discount rate, and the value of human life and the time lost to delay. The public financing of infrastructure also requires a consistent approach to such policy measures as environmental degradation, the fiscal carrying capacity of states and localities, the level (if any) of second-round employment and output multiplier effects, and the treatment of such diverse variables as the distribution of income and ancillary homeland security benefits.

Federal agencies are now obliged by the Office of Management and Budget (OMB) to use consistent values in their project analysis and capital allocation decisions, but their obligation to do so is ultimately not binding. These are opt-outs and, ultimately, the invisible but decisive weighting given to projects with political sponsorship. The driving idea behind the National Infrastructure Bank is that we can do much better than that. It would be utopian to believe that the Bank’s presence would wipe the blight of political interference from the process. But it is possible to hope that projects above some threshold of federal involvement be publicly and visibly evaluated and ranked by the Bank, so that their relative merits can be known. And it is not impossible to imagine that rational funding decisions be the rule rather than the exception.

The closer we get to such a rule, the better off we are, and the more rapidly so. Replacing a project anointed by a non-rational mechanism that has, let us charitably assume, zero economic return with a positive rate of return above some threshold (related to the cost of capital) produces a mathematically infinite improvement in project benefits.

Rational project selection maximizes the effectiveness of spending. It also delivers better budgeting decisions and economic information. For one, it leads us to spend the next dollar on infrastructure on the project with the highest available return. It also allows us to understand far more accurately the level of net investment in infrastructure by improving the value we assign to both the creation and depreciation of public wealth. And it allows us to more easily monitor our progress against the backlog of viable infrastructure projects. This may be unduly idealistic or utopian as well, but no policy should be put in place without some idea of its ongoing success and when its job may one day be done.

### Revenue-Based Good

#### Revenue-based models of infrastructure investment insures long term development and upkeep

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

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

## Answers

### AT: Utt

#### Utt is an idiot when it comes to transportation policy

Ryan Avent Monday, July 20, 2009 “A Brief Reply to Heritage’s Ronald Utt, PhD “

<http://dc.streetsblog.org/2009/07/20/a-brief-reply-to-heritages-ronald-utt-phd/>

(The middle part is where he goes on to refute Utts arguments)

Quals: Ryan Avent is economics correspondent for The Economist, and the primary contributor to Free Exchange. He is the author of The Gated City. Contributions to the print edition of The Economist can be found here. His work has appeared at the New York Times, the New Republic, Reuters, Condé Nast Portfolio, the Atlantic, the Guardian, the American Prospect, the Washington Independent, the Washington Examiner, Streetsblog, Grist, DCist, and probably some other places. Previously, Ryan worked as an economic consultant and as an industry analyst for the Bureau of Labor Statistics. He has an economics degree from North Carolina State University, and an MSc in economic history from the London School of Economics. You can follow his twitter feed at @ryanavent or reach him via email at ryanavent (at) gmail (dot) com.

Readers, Ronald Utt has written a memo for the Heritage Foundation, a conservative think tank, on Barack Obama's transportation policy. Typically, when presented with an article from a group not known for its progressive views on urban issues, I'll read through the piece at least twice to make sure I've gotten the argument. I'll have a think on what's being said and the evidence offered in support of the positions taken. And then, satisfied with my conclusions, I'll write a response. I'm not going to do that this time. Honestly, I glanced at the first paragraph and chuckled. I'd prefer to ignore the piece entirely, but Utt is the kind of guy who keeps showing up in the darndest places -- he helped Ronald Reagan push privatization of government assets, made himself available to Phillip Morris to refute "the issue of the social costs of tobacco" and has published for junk science purveyors the Heartland Institute -- so let's quickly move through this line by line, and then move on. So here we are with paragraph one: Secretary of Transportation Ray LaHood remarked in May that his livability initiative "is a way to coerce people out of their cars." When asked if this was government intrusion into people's lives, LaHood responded that "about everything we do around here is government intrusion in people's lives," a sentiment that would have certainly surprised the authors of the United States Constitution, a document whose major purpose was to restrain government. When you think about it, this is pretty fascinating, no? Utt doesn't dispute the point that "about everything we do around here is government intrusion in people's lives." He's just pointing out that, hey, government these days would really blow the founders' minds. They were trying to restrain government -- to keep those Washington fat cats off a man's plantation and leave him in peace to farm, using the human labor he'd duly bought and paid for, on the free market. LaHood's endorsement of government coercion comes as no surprise to those who have been tracking the Obama Administration's incremental endorsements of the environmentalists' smart growth strategies to slow growth, crowd development, and deter automobile use. And with LaHood's most recent presentation, the Administration has formally embarked on an unprecedented and costly exercise in social engineering to alter the way Americans live and travel. This is interesting. Utt says the administration has formally embarked on an unprecedented exercise in social engineering. Now, if Utt is still talking about Ray LaHood's off-the-cuff statement, then he and I have different definitions of formal -- mine being the one in the dictionary. If we agree that formal is something officially sanctioned or codified, then it would seem that Utt is, you know, saying something which isn't true. Also, since Utt brought up the effort to deter automobile use, here's a pop quiz. Over the last 40 years, which president has presided over the largest single 12-month decline in driving? (Hint.) Utt continues: In justifying the necessity of coercing Americans out of their cars, LaHood added that "people don't like spending an hour and a half getting to work. And people don't like spending an hour going to the grocery store." For LaHood, these exaggerations justify a new federal transportation policy in which "we have to create opportunities for people that do want to use a bicycle or want to walk or want to get on a street car or want to ride light rail." Yet as the record reveals, LaHood's statement is replete with errors and inaccuracies. These are exaggerations? People do like spending an hour and a half getting to work? For starters, how is it that getting people to walk or bicycle to work or to the grocery store will get them there faster? Other than infrequent situations in the center of a handful of dense urban areas in the middle of rush hour, this proposal to reduce travel time is naïve and inconsistent with common sense. If you read this paragraph closely, you will see that Utt has answered his own question. Obviously he has a difficult time imagining a world in which all new residential developments aren't at least 20 miles from the nearest commercial center. Pay attention, Mr. Utt, PhD! LaHood's implication that people in the Washington area spend one and a half hours getting to work and an hour getting to the grocery store is simply not true. According to the U.S. Census Bureau, the average commute in America is 25 minutes, and in Virginia, where many of Washington's workers live, the average commute is 27 minutes. In Fairfax County, Washington's largest suburb, the commute time is 31 minutes, while in the major exurb of Prince William County (30 miles south of D.C.), the commute time is 37 minutes. As for the alleged hour-long trip to a Washington-area grocery store, an hour would be enough time for LaHood to travel from his office in Washington to a grocery store in Baltimore. Listen, the latest three-year data from the Census pegs the commute for someone from Prince William County at 39 minutes, and the Washington Post cited 2006 Census data putting the number at 41 minutes, but let's not quibble. And I'll bet Utt $500 -- and people, you can hold me to this -- that he can't get from the Department of Transportation to a grocery store in the city of Baltimore in under an hour during daylight. If he had ten tries, he couldn't do it. Google maps says you can make the 40 mile trip in around 55 minutes in the absence of traffic, but the sprawl that has grown up between the cities ensures that there is always traffic. Exaggeration. LaHood cites Portland, Oregon, as an example of what can be achieved with a retro transportation policy and costly investment in light rail. But, sadly, his assertion reveals a predilection for urban legends over information produced by his employer, the federal government. As Wendell Cox pointed out using federal government data, "In 1985, approximately 2.1 percent of motorized travel in the Portland urban area was on transit and it remained 2.1 percent in 2007, the latest year for which data is available." Moreover, only 1.7 percent of Portland commuters to downtown use bicycles, an amount less than the share of Americans who walk to work. It's relevant that transit maintained its share in 2007 despite two decades of incredibly low real oil prices and two terms of a president who only cared for transportation subsidies for pavement. And then, of course, from 2007 to 2008 real gas prices spiked, and everyone in Portland was extremely glad that they had transit. And what does Utt's last sentence there even mean? Don't normal people compare apples to apples? Like, say, share of Portlanders who walk to work compared to the share of Americans who walk to work? Anyway, I'm lazy, so I just decided to use the Google: Portland, Oregon, was found to have the highest percentage of bicycle commuters among large cities with about 3.5 percent of its workers pedaling to work. This is about eight times the national average of 0.4 percent. Also according to the Census, 4.7 percent of Portlanders walk to work, twice the national average. It's not clear how many are coerced, however. Given the important position that LaHood holds in this Administration, and given the federal government's central role in the nation's transportation system, his statements are cause for worry. Even more worrisome -- given his admission that we "have to think outside the box"-- is his seeming admiration of an early 20th-century lifestyle and his attraction to the kind of travel arrangements common to America before automobiles became the preferred (and most affordable) choice of travel. Wait, it gets better: More to the point, as LaHood uses his position of influence to recreate the "old paradigm," the real concern is just how far back into the past he wants to drag us. Cynical readers will note that this nostalgic transportation system was heavily dependent upon horses and oxen. While this prospect may seem far-fetched, six months ago it would have seemed far-fetched that a senior Administration official would endorse coercion to alter our lifestyles. Now, no intelligent person would have thought it far-fetched that a senior administration official would endorse coercion to alter our lifestyles, six months ago or at any time, because most intelligent people have heard of things like taxation, and law enforcement, and various safety regulations backed by the authority of local, state, and federal governments. But then it also seems that Utt is worried about the president forcing him to use an ox to get to work. Which, frankly, I kind of wish he would, but as best I can tell, there are no livestock-oriented transportation plans in the works. Folks, I don't know if I can continue with this. He keeps talking about the oxen: Yet as the remainder of this paper will suggest, a full-throated, back-to-the-past policy could offer certain unique benefits to those who yearn for yesteryear. Specifically, this retro approach to transportation would mean restoring animals--notably horses and oxen--to a central role in America's transportation system. In turn, this would create a significant number of "green" jobs to offset those lost in the outsourcing-dependent bailout of General Motors and Chrysler. And on like that for seven paragraphs. The man mentions flatulence. I'm being serious, people. Ah, but clever Utt gives the game away with his closing paragraph. It's satire! While some may see the above prospects as preposterous, do note that many of the Administration's policies depend upon a reversion to archaic practices abandoned centuries and decades ago as new technologies allowed for better service at lower costs. If this Administration is prepared to bet our future on the technologies and lifestyles of the past -- electric cars, passenger rail, trolleys, small houses, bicycles, and nationalized industries -- then a greater dependence upon eco-friendly animals would be a nice fit for a fashionably primitive America. You all remember, in sepia-shaded dreams, the long-past days of the electric car, do you not? And many of you have no doubt visited those quaint French villages where vehicles of a bygone age cross the countryside at a stately 250 miles per hour? This is quite obviously ridiculous, and Utt, had he the capacity for shame, should be feeling it. The automobile is no modern technology; it dates from the late 1800s. And the policies designed to push middle class Americans into the suburbs and beyond were put into place over half a century ago. Utt thinks there's something grand about the fact that Americans lose over $80 billion per year to congestion costs and 40,000 lives annually to automobile accidents. He thinks it's funny that Americans use a quarter of global oil production, and have per-capita carbon emissions twice those of most developed nations, a third of which come from transportation. And so he pretends that offering Americans an alternative to the approach that has dominated government funding and policy-making for 60 years is coercion, and makes a lame joke about how the latest transit vehicles, marvels of engineering and efficiency, are no better than a team of oxen. As the president once said, it's like they take pride in being ignorant. Or at least take solace in the checks they get to cash.

### AT: Over Leverage (Fannie/Freddie)

Fannie/Freddie is a false metaphor, the bank would not over levrage

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

#### The bank would come nowhere near Fannie/Freddie leverage ratios

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. PUENTES: So this doesn’t squash private investment. I think that this is the theme I’ve seen since the announcements, folks that have reacted saying, well, is this some kind of big -- is this a Fannie Mae/Freddie Mac? Is this something that’s going to take over and squash some of --?

CONGRESSWOMAN DeLAURO: That would be suicide, you know, to do that. It’s absolutely totally different. You’ve got revenue streams here, you’ve got -- this is not a for-profit effort. It’s an independent entity. It is, in fact, dealing with credible investors, and with, you know, defined costs, and just totally different than what a Fannie Mae was all about. We couldn’t today, you know, nor should we suggest that we should move in that direction. The model you’ve got to use here is, as I said on the international level, you’ve got European bank, you’ve got the Asian Development Bank, Brazil has one, Germany has one, in the U.S., we have, you know, several that are there, but it’s a -- it really is a much, much different concept and one that has built in guarantees. We’re not talking about leveraging at 30-to-1, as I said earlier. It’s conservative, it’s transparent, and there is accountability.

#### An infrastructure bank would leverage 2 to 1 rather than the example of house loans failure of 30-1

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

CONGRESSWOMAN DeLAURO: And the other piece of that is to get the investor skin in the game. I mean, that is -- but the point is -- and you’ve got some of the pieces where you do have, you know, institutional investors, but it is the amount of capital that can -- we can get hold of in order to begin to leverage. When we talk about the infrastructure bank, we’re talking about the potential, and it’s conservative, we’re not talking 30-to-1 leveraging like what’s happened in the past. We’re talking about 2-1/2-to-1 based on the European model. And, you know, if you’ve got $5 billion a year for 5 years from the federal government as an initial capital, you have it under the Treasury -- capital, another $225 billion, you can loan up to $625 billion or thereabouts in terms of trying to, you know, to look at where the problems are and how we can address them. A substantial amount of money, especially when you’ve got the engineers talking about, you know, $2 trillion are where we need to try to go. That’s the scale I think that we have to try to reach. MR. GREENSTONE: I think that vehicle of using -- involving the private sector and what that does is it essentially seeks out the hyper term projects, and I think that’s the power of that idea.

### AT: “Picking Winners” (Solyndra)

#### The bank’s risk calculations would future Solyndra syndromes

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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 the1705 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.

### AT: TIFIA/Export-Import

#### TIFIA organizationally is overburdened – only an external bank could alleviate the pressure

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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 familiar 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.

### AIFA

#### Obama’s AIFA functions as an independent bank that requires limited seed money

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Much of the criticism of the infrastructure bank focuses on features that are not shared by all the proposals now before Congress. For example, the objection that is most frequently misapplied is that the infrastructure bank is not a true “bank,” because it makes grants in addition to issuing loans. The argument is that making grants is essentially giving money away for free, something a “real bank” would never do. This criticism has been lobbed against the president’s jobs bill proposal many times since he announced it, but it simply does not apply to that proposal, which is limited to loans and loan guarantees.

The president’s current proposal in the American Jobs Act is not the same as his own earlier “IBank” included in his most recent budget proposal submitted to Congress earlier this year, nor is it the same as previous bills offered by Congresswoman DeLauro, Senator Dodd, and others, which are the versions many opponents choose as the targets of their criticism. The president’s jobs bill proposal adopts the model that resulted from a thoughtful bipartisan effort in the Senate, embodied in the BUILD Act in introduced by John Kerry, Kay Bailey Hutchison, Mark Warner, and Lindsay Graham. The BUILD Act represents an entirely new approach to the idea of creating an infrastructure bank, one that goes a long way to reconcile the huge levels of needed investment with the very real spending constraints facing Congress. This proposal launches the bank on a fiscally responsible scale, while preserving the best principles of political independence and merit-based decision making that make the bank worth doing in the first place. They do this by structuring their bank as an independent, government-owned financing authority using model used by the U.S. Export-Import Bank, the TIFIA program, and other well-run existing federal credit programs, none of which bear any resemblance to shareholder-owned GSEs like Fannie Mae and Freddie Mac. Both the BUILD Act and the American Jobs Act would create a new entity called the American Infrastructure Financing Authority (“AIFA”). The AIFA proposal has been the subject of much confusion and misinformation, with opponents painting a misleading picture of what this type of bank would look like and how it would finance infrastructure projects. The difference between the investment tools offered in the bipartisan AIFA proposal and earlier approaches starts with understanding the distinction between funding and financing. Grants and funding programs “give money away for free” by spending federal money directly to pay for projects, or passing that money along to states and local governments to pay for them. Financing programs like AIFA and TIFIA require repayment of loans and reimbursement from borrowers for the default risks assumed by the federal government, making the Treasury whole for its financing of the project. AIFA loans and loan guarantees would be issued using the same credit mechanisms as TIFIA and RRIF established under the Federal Credit Reform Act (“FCRA”). This approach makes AIFA a particularly appropriate successor to the TIFIA program for transportation projects. Because of this structural compatibility with FCRA-based credit programs, combined with the independence and expertise of its staff and board of directors, an AIFA-type entity could provide a unique opportunity to enhance existing programs by offering those programs the option of utilizing its staff and resources to assist in the evaluation of loan applications. Offices like RRIF or the DOE loan guarantee programs could retain their discretion to make final decisions on applications, while improving the review and structuring of those projects by calling on the bank as a financial advisor. AIFA would be funded with a one-time discretionary appropriation of $10 billion. While the initial start-up funding could be paid for using funding from the surface transportation bill or other legislation reported from this Committee, there has thus far been no proposal to do so. A key feature of AIFA is that it is designed to be self-sustaining. The bipartisan Senate proposal is carefully structured to ensure it adheres to the requirement to operate without ongoing appropriations from Congress.

### Bonds H.R. 407

#### **Funding mechanism distinct**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

The budgetary implications of H.R. 402 are somewhat different from those of the other pending infrastructure bank proposals. This bill proposes to capitalize an infrastructure bank with appropriations of $25 billion and to provide another $225 billion in “callable capital,” which would be made available from the Treasury only if it is needed by the bank to meet its obligations. Under this proposal, the bank would be permitted to issue bonds up to 250% of the bank’s total capital (capital plus callable capital). This means the bank could support up to $625 billion of bonds, which would be backed by the full faith and credit of the U.S. Treasury. In addition to the $25 billion, the callable funding of $225 billion would likely be scored as an appropriation.

# CBA Good

### Squo = No CBA

#### Status quo infrastructure investment fails to use CBA

Robert Puentes 2009, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Metropolitan Policy Program at Brookings, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

Yes, the good thing about doing this work on infrastructure is that this isn’t just something that we’ve cooked up, you know, here at Brookings. We’ve been working with this informal network of scholars and practitioners all across the country. And the reports we released today, led by Emilia Istrate of our shop, kind of highlights -- I think there’s three big issues that folks, I think, coalesce around. We may disagree with the answers, but the problems, I think, are generally agreed about.

One is that the federal government does have a flawed kind of selection process. We don’t really use things that many folks in the room have called for -- benefit-cost analyses that have a mix of quantitative and qualitative kind of pieces to them. We just don’t do that when it comes to how we plan out our infrastructure. We heard this from both the speakers here earlier today.

There are legal requirements. There is an Executive Order from 1994 that requires that this be done, not just for things that the federal government owns, but also for infrastructure in which the federal government invests, so, like transportation. So things they don’t actually own, but do invest. But this is -- the implementation is not so great. It kind of varies across the country. So the flawed selection process is certainly, I think, a big one.

And there is this bias against maintenance. And, again, the Congressman talked about this earlier. We see mundane reminders of this, and we see kind of tragic reminders of this. But the way the system is set up, we don’t really prioritize the maintenance of what we have on the ground. We have incentives, we have formulas that are designed to build more -- the more stuff you have, the more money you get. But we don’t do a good job at fixing the stuff we already have and taking care of the things that are on the ground.

So those are really about implementation, that the federal government sets up the rules, and the implementation is where we have some problems.

But the problem, I think, on the federal level is this issue of long-term planning. And I think a lot of folks are starting to kind of galvanize around that particular problem--that we don’t, because we don’t have this far-reaching vision for infrastructure, and we’re kind of lurching from appropriations to appropriations, even when we do have multi-year authorizations -- they’ve got some problems which we can get into at some point -- but that there’s an inability for the federal government to think long term has really hampered us, from a competitive standpoint, nationally. We don’t make these investments that really do matter to the national government. So what we talk about in the report, we try to hit on some things that have been talked about. There’s a lot of discussion -- for 50 years, I guess, now 60 years -- about this issue of a national capital budget. We think that that’s the right idea. It makes sense. In real simplistic terms, it’s separating capital from the other parts of the budget.

But it probably doesn’t get to those things that we’ve talked about that are problems. It really doesn’t get you better maintenance, better project selection. And it’s really a very, very small part of the overall federal budget. Just about 2 percent of federal spending goes for infrastructure.

So, again, maybe the right idea, but it’s a real heavy lift, and probably not the right thing to get to what we want.

But this issue of a national infrastructure bank does kind of get that. It is kind of like the national- capital-budget-light, in some ways. It doesn’t solve all of our problems, but it does get to this issue of targeting federal resources to projects that really do matter to the national government. We don’t have this mechanism now. We have the states, the metros and locals in charge, but no ability to make investments in these things that really matter to the national government.

But the key thing about the infrastructure bank is that it is about reform. It’s not using the same old systems. It is about making decisions based on merit, as the Congressman talked about, and making sure that those investments are based on some kind of facts, rather than on the political horse-trading that other folks have mentioned here today.

#### CBA is key to real econ growth and equality

David Lewis, HDR, May 17 2010 “Employment, Productivity, and Real Estate Value in Benefit/Cost Analysis” [http://tti.tamu.edu/group/tec/files/2011/09/benefit-cost10-proceedings.pdf NCHO](http://tti.tamu.edu/group/tec/files/2011/09/benefit-cost10-proceedings.pdf%20NCHO)

The effects of transportation investments on labor markets can be examined in four different ways – short-term jobs due to project construction, long-term jobs due to project operations and maintenance, productivity benefits from business reorganization, and other productivity effects due to agglomeration and diversion to more productive modes. Productivity growth in the economy is a principal means of generating real growth in incomes. It is one thing to grow jobs, but it is another thing to grow real incomes and the standard of living. The source of real standard of living improvements in our economy is productivity growth. Examining how jobs manifest themselves in productivity growth is thus important.

#### CBA is good; spills over to the broader economy

David Lewis, HDR, May 17 2010 “Employment, Productivity, and Real Estate Value in Benefit/Cost Analysis” [http://tti.tamu.edu/group/tec/files/2011/09/benefit-cost10-proceedings.pdf NCHO](http://tti.tamu.edu/group/tec/files/2011/09/benefit-cost10-proceedings.pdf%20NCHO)

Productivity benefits from business reorganization represent the third way to examine the possible effects of transportation investments on labor markets. Firms can take advantage of improved transportation services by reorganizing logistics. More reliable transportation, especially more reliable networks, permit just-in-time delivery, thus reducing inventories. Firms may substitute transportation for warehousing and inventory. Shippers can serve a larger market area with existing facilities at lower costs. Lower transportation costs allow reduced prices and increased output and employment. The benefits of improved freight transportation can have cascading benefits. First-order benefits focus on cost reductions on current freight miles, reduced transit times, and increased reliability. Second-order benefits result from firms improving logistics and serving larger markets, with increases in output and freight miles. Third-order benefits focus on the development and production of improved products and new products.

### Public Participation

#### Multiple checks guarantee public involvement in CBA

Anastasia **Christman AND** Christine **Riordan**; National Employment Law Project; 20**11**

“State Infrastructure Banks: Old Idea Yields New Opportunities for Job Creation” http://www.nelp .org/page/-/Job\_Creation/State\_Infrastructure\_Banks.pdf?nocdn=1 NCHO

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. 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. 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. 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.” 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.” 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. 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.” 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.

### Environment

#### CBA solves the environment, EIB proves

Rosa DeLauro; Congresswoman; 2009 “What could a U.S. National Infrastructure Bank provide?”

<http://www.uli.org/sitecore/content/ULI2Home/ResearchAndPublications/PolicyPracticePriorityAreas/Infrastructure/Infrastructure%20Bank.aspx> NCHO

The bank favors projects which will take pressure off constricted road systems and limit greenhouse gases—passenger and freight railways, inland waterways, maritime projects, urban transit, and intermodal hubs. Road projects can get support if they have “high economic value” for reducing severe congestion and link into other transport modes. EIB also focuses on water supply and sewage treatment, championing EU goals of ensuring “good status” water quality by 2015 in rivers and along coasts. The bank also promotes and supports a recent EU initiative to encourage city living and discourage suburbanization by helping create vibrant infill neighborhoods out of former industrial sites and redevelopment areas under public ownership.

#### CBA is key to solving congestion, excess spending, and maintenance

Barry Bosworth and Sveta Milusheva; The Brookings Institution; 2011 “Innovations in U.S. Infrastructure Financing: An Evaluation” [http://www.brookings.edu/~/media/research/files/papers/2011/10/20%20infrastructure%20financing%20bosworth%20milusheva/1020\_infrastructure\_financing\_bosworth\_milusheva.pdf NCHO](http://www.brookings.edu/~/media/research/files/papers/2011/10/20%20infrastructure%20financing%20bosworth%20milusheva/1020_infrastructure_financing_bosworth_milusheva.pdf%20NCHO)

On balance, there is significant evidence of inadequate levels of infrastructure in the United States, but the studies have also demonstrated that much of the problem lies with the process by which the United States makes decisions on funding and system management: its failures to use cost-benefit analysis to assign funds to those projects with the highest returns, a bias against funding of maintenance for existing systems, a political process that spreads the expenditures across jurisdictions regardless of needs, and an unwillingness to charge users in line with the benefits that they receive (Winston, 2010). The condition of the transportation system has deteriorated somewhat, but the most costly aspects are linked with increased congestion; and repeated experience has shown that those problems cannot be resolved by spending more money. Changes should be made in the management of the systems–specifically in the setting of prices 6 for use of the infrastructure and the allocation of investment funds–that would increase the benefits of the current system with little added overall spending. In addition, despite their professed support for improvements in the infrastructure, American voters and their representatives stand out for their unwillingness to pay and the constant efforts to shift the costs to others. Given these evident inefficiencies, it is difficult to favor large increases without reforms to the funding process.

### Equality/Favor

#### CBA solves equality and favoritism

Mallett et al. 11

William J. Mallett Specialist in Transportation Policy Steven Maguire Specialist in Public Finance Kevin R. Kosar Analyst in American National Government; Congressional Research Service; December 14, 2011 “National Infrastructure Bank: Overview and Current Legislation” [http://www.fas .org NCHO/sgp/crs/misc/R42115 .pdf NCHO](http://www.fas.org/sgp/crs/misc/R42115.pdf)

A frequent criticism of current public infrastructure project selection is that it is often based on factors such as geographic equity and political favoritism instead of the demonstrable merits of the projects themselves. In many cases, funding goes to projects that are presumed to be the most important, without a rigorous study of the costs and benefits. Proponents of an infrastructure bank assert that it would select projects based on economic analyses of all costs and benefits. Furthermore, a consistent comparative analysis across all infrastructure sectors could yield an unbiased list of the best projects.

### Ruralism

#### CBA reform solves rural equality

Mallett et al. 11 William J. Mallett Specialist in Transportation Policy Steven Maguire Specialist in Public Finance Kevin R. Kosar Analyst in American National Government; Congressional Research Service; December 14, 2011 “National Infrastructure Bank: Overview and Current Legislation” [http://www.fas.org/sgp/crs/misc/R42115.pdf NCHO](http://www.fas.org/sgp/crs/misc/R42115.pdf%20NCHO)

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

### AT- CBA slows you down

#### CBA wont slow down investment

Polly Trottenberg 2010, the Assistant Secretary for Transportation Policy at the U.S. Department of Transportation, The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

I think on the -- does doing benefit-cost analysis slow you down a lot? I hope not. I mean, I think it’s incumbent upon us to try and help come up with a standardized way to do it, and we feel pretty strongly that we want to help states and transit agencies do it without having to hire incredibly expensive consultants. You know, it’s better if it’s a simpler process that they can do and own themselves, because part of the point of it is so that they get a flavor as they’re investing not only federal dollars, but their own state dollars, and what are the best things to spend our money on? And, you know, there’s been a trend, this is particularly something that’s happened in the new start side of transit agencies hiring outside consultants for a lot of money to do the complicated things we were making them do, and I think no one thinks that that’s the best solution.

#### CBA is faster and more effective than the squo

J. Bradford DeLong; economist at UC Berkeley and a badass at the SDI; August 22, 2011“ECONOMIC STIMULUS--THROUGH FIXING THE HOUSING MARKET AND OTHER INITIATIVES” http://delong.typepad .com/sdj/2011/08/economic-stimulus-through-fixing-the-housing-market-and-other-initiatives.html NCHO

The economy needs help. And it needs help now…. But when it comes to putting people back to work right away, infrastructure programs, in particular, can be slow. The whole point of the infrastructure bank, for example, is to subject every proposal to rigorous cost-benefit analysis. That takes time. One way around this problem is to change some of the rules for public works – and, as Gary Burtless of Brookings explains, applying some lessons the federal government learned after the 1994 Northridge earthquake in Southern California:¶ The feds learned a bitter lesson from San Francisco’s very slow spending of federal aid dollars after the World Series earthquake a few years earlier. Wanting to avoid a repetition of that fiasco, the federal gov’t told CA and L.A. that the U.S. earthquake relief dollars had to be spent within a specified period. It worked. L.A. repaired its wrecked freeways much faster than the Bay area fixed its wrecked highways and bridges.

# DA Answers

### Capital Flight DA

#### Nationalization trend in Africa hampers foreign investment

Business Day July 12, 2012, Business Day Edition “Africa's infrastructure needs enormous”

Africa's infrastructure needs enormous, Lexis.

While domestic funding will help meet future infrastructure needs, SA also needs to tap considerable external capital and technical expertise.But threats of nationalisation have cast a negative light on the attractiveness of the country as an investment destination. And some see economic empowerment prescriptions as hampering cost-containment and industrial competitiveness. Ms Altman says & commercial transport in Africa costs five times the global average& and this hampers the development of both manufacturing and beneficiation. To this end, the Infrastructure Africa forum heard that the continent needed to move towards regionally integrated value chains, while devising a far more structured way for governments and private enterprise to interact and understand external and internal trade flows.

### Highway Gas Tax DA

#### Turn – The bank’s new revenue sources would free up new funds for appropriation bills

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

Greenstone, 2010 2009-10 he served as the chief economist at the White House’s Council of Economic Advisers. His research is focused on estimating the costs and benefits of environmental quality and the consequences of government regulation. The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MR. GREENSTONE: I just had two comments. One, I think if there’s greater confidence that the money was being spent on the high pay-out projects, I think that would loosen some of the political support for funding these. And so right now the primary vehicle is through the gas tax, and it goes to a highway trust fund and then it goes on formula. That’s -- I don’t think that’s a recipe for finding high rates of return projects, so I think that’s part of the problem.

A second thing, where there could be more -- another source of revenue, which I think should be explored, and the Hamilton Project has written a paper on this, is -- and I mentioned before, when I drive, and poor Representative DeLauro is trying to get to work every day, I’m slowing her down by being an extra car on the road. And that’s -- in economics we call it an externality. And so I’m not taking account of the behavior -- or of the time costs I’m imposing on Representative DeLauro.

The solution to that is simple. The solution to that is congestion fees, and the great thing about congestion fees is, would use -- we would use our infrastructure more -- the existing infrastructure more efficiently, and in addition, it would raise money, and that money could be invested back into infrastructure. So if you’re looking for a way to raise revenue for infrastructure, I think that would be a good way.

### Spending

#### The plan is not deficit spending, as an investment the bank will increase infrastructure spending through interest

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

#### The Plan is budget neutral, 60 billion in seed money will result in a trillion dollars in leverage in ten years

Felix G. Rohatyn, Special Advisor to the Chairman and CEO, Lazard Freres and Co. LLC, April 5, 2011, “Infrastructure Investment and U.S. Competitiveness” <http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585>

One way to finance the rebuilding of our country is by creating a national infrastructure bank that is owned by the federal government but not operated by it. The bank would be similar to the World Bank and European Investment Bank. Funded with a capital base of $50 to $60 billion, the infrastructure bank would have the power to insure bonds of state and local governments, provide targeted and precise subsidies, and issue its own thirty- to fifty-year bonds to finance itself with conservative 3:1 gearing. Such a bank could easily leverage $250 billion of new capital in its first several years and as much as $1 trillion over a decade.

Run by an independent board nominated by the president and confirmed by the Senate, the bank would finance projects of regional and national significance, directing funds to their most important uses. It would provide a guidance system for the $73 billion that the federal government spends annually on infrastructure and avoid wasteful "earmark" appropriations. The bank's source of funding would come from funds now dedicated to existing federal programs.

#### Status quo infrastructure spending is about 2% of the total budget, 65 billion,

Emilia Istrate, Senior Research Analyst, and Robert Puentes 2009, Senior Fellow and Director, Metropolitan Infrastructure Initiative, Metropolitan Policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” Brookings December 2009

Breaking it down further, federal investment may be in defense capital assets ($205.9 billion in 2008) or in non-defense capital ($253.8 billion). Non-defense federal physical investment represents about 42 percent of the non-defense investment ($107.5 billion). Federal spending on infrastructure— transportation, energy, water and environmental protection—was only $65 billion in 2008 (Figure 2).10 While the figures presented are not negligible, they show that federal investment is only 15 percent of the total federal spending. And only 14 percent of federal investment (2 percent of the total federal spending) was directed to transportation, energy, water, and environmental protection in 2008.

### Federalism

#### Unique turn – the bank would empower states and reduce angst over failed Federal transportation bills

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Reality: A properly structured national infrastructure bank would not be a monolithic centralplanning 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.

State involvement with the bank is purely voluntary

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

#### No unique link – the bank retains status quo federalism

Felix G. Rohatyn and Everett Ehrlich, October 9, 2008 “A New Bank to Save Our Infrastructure,”

<http://www.nybooks.com/articles/archives/2008/oct/09/a-new-bank-to-save-our-infrastructure/?page=1>

The bank would have no preconceived, overarching plan for the nation’s infrastructure. Proposals for infrastructure investment would still predominantly come from state and local governments. Our plan would preserve almost entirely the existing balance of power between federal, state, and local government, but would change dramatically the way priorities are set and projects funded. That is because it would proceed project-by-project, and dollar-by-dollar, to find the best use of federal resources.

#### The bank reduces red-tape

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

#### Federal laws inhibit state adaptability to rebuilt infrastructure

Scott Thomasson, President, NewBuild Strategies LLC, April 2012 “Encouraging U.S. Infrastructure Investment” Policy Innovation Memorandum No. 17 http://www.cfr.org/infrastructure/encouraging-us-infrastructure-investment/p27771

States are already looking at new ways to finance infrastructure as federal funding becomes uncertain and their own budgets are strained. More states rely on PPPs to share the costs and risks of new projects, and they are finding new sources of nontax revenues to fund investments, like tolling and higher utility rates. But at the same time, federal regulations and tax laws often prevent states from taking advantage of creative methods to finance projects. Federal programs designed to facilitate innovative state financing are underfunded, backlogged, or saddled with dysfunctional application processes. Many of these obstacles can be removed by adjusting regulations and tax rules to empower states to use the tools already available to them, and by better managing federal credit programs that have become so popular with states and private investors.

### Politics: Popular

#### An Infrastructure bank is a popular bipartisan idea – This turns their politics DA’s

**CNN 7-9**-11 (Cable News Network, John Avlon - CNN contributer, 3 bipartisan bills that could get the economy moving - Public private infrastructure bank, 7-9-11, <http://www.cnn.com/2012/07/09/opinion/avlon-three-bills-economy/index.html>)

The bipartisan BUILD Act is a no-brainer that has been stalled for good reason.¶ It would create a public-private bank to seed investment in America's aging infrastructure, improving our resilience and competitiveness over the long term while spurring the economy in the near term. ¶ "In a time of budgetary crisis, the American Infrastructure Bank pays for projects with private money now sitting on the sidelines," attests Michael Likosky, director of NYU's Center on Law & Public Finance. "Every country uses private capital to build projects except for the United States. We are an island."¶ "We are poised for a new era of prosperity if we could gain consensus on the fact that our infrastructure needs to be rebuilt," agrees John Hofmeister, the former CEO of Shell Oil. "It was designed for a time in the past when our country had a different population."¶ Voters look beyond monthly jobs numbers¶ President Obama has backed this bipartisan infrastructure bank bill as more feasible than a version his administration pushed earlier. "President Obama is the biggest proponent of public-private partnerships to hold office to date," argues Likosky. "The Infrastructure Bank is a rare case of a popular bipartisan idea, born in the Beltway, that has been adopted by governors and mayors." It is trickle-down policy-making. It's also smart policy-making that business and labor, Republicans and Democrats, should all be able to agree on.

#### FIB is credible and popular with public

MSNBC, 7/2011 (Anika Anand – contributor of MSNBC, “Bank plan would help build bridges, boost jobs”, http://today.msnbc.msn.com/id/43606379/ns/today-today\_news/t/bank-plan-would-help-build-bridges-boost-jobs/)

Jason Delisle of the progressive New American Foundation, said the Fannie-Freddie comparison is a red herring.

“Fannie and Freddie were never on government books,” he said. “They were private companies, and they were never on the budget. But this bank would be on the government books to begin with.”

Voters, facing ever-growing commutes on crumbling roads and bridges, clearly want rancor over the issue to end. A Rockefeller Foundation poll in February found 71 percent of those surveyed wanted legislatures to come to a consensus on transportation — more than any other issue. And 60 percent said they would support an unspecified national infrastructure bank.

The debate surrounding the national infrastructure bank boils down to the age-old battle between government control versus private investment. Given the bailouts of government-chartered Freddie and Fannie and the bailouts of the privately-funded Wall Street, lawmakers will have to decide whether voters trust the government or the private sector, or if these two can actually work together to rebuild America's infrastructure.

#### Plan is bipart – evidence that suggests otherwise is political posturing

William A. Galston September 7, 2010 9:59am, “Infrastructure Bank Proposal Would Spur Economic Growth” <http://www.brookings.edu/up-front/posts/2010/09/07-infrastructure-bank-galston>

The president’s proposal faces an uncertain fate. With the mid-term election campaign in full swing and political polarization at its highest level in more than a century, cooperation across party lines will be hard to achieve—even though the initial senate bill was introduced with bipartisan support just a few years ago. In the longer term, a bank structured to reduce politically motivated earmarks and to expose proposed infrastructure projects to a market test might attract a broader base of support than is now in evidence.

#### I-Bank is bipartisan, cheap, and empirically verified to work by every other country

John Avlon; CNN contributor and senior political columnist for Newsweek; 07-09-2012; “3 bipartisan bills that could get the economy moving” <http://www.cnn.com/2012/07/09/opinion/avlon-three-bills-economy/index.html> NCHO

(CNN) -- Welcome back to work, Congress. Hope you enjoyed your fourth full week off this year. Now find a way to work together to help get America back to work. Experts all say not to expect any constructive action from Congress until after the election. There is a reason that cynicism passes for wisdom in Washington. But with economic clouds from overseas depressing our own recovery, there is an obligation to act now. And, in fact, there is a handful of bipartisan bills that could help get the U.S. economy moving again if they were enacted. These are not Democrat or Republican ideas -- they are simply good ideas. And unlike bipartisan pork barrel bills, they cost taxpayers comparatively little to enact. Let's take a look at three proposals with bipartisan support that could pass this summer if given a chance. Public-Private Infrastructure Bank. The bipartisanBUILDAct is a no-brainer that has been stalled for no good reason. It would create a public-private bank to seed investment in America's aging infrastructure, improving our resilience and competitiveness over the long term while spurring the economy in the near term. Analyzing another weak jobs report "In a time of budgetary crisis, the American Infrastructure Bank pays for projects with private money now sitting on the sidelines," attests Michael Likosky, director of NYU's Center on Law & Public Finance. "Every country uses private capital to build projects except for the United States. We are an island." "We are poised for a new era of prosperity if we could gain consensus on the fact that our infrastructure needs to be rebuilt," agrees John Hofmeister, the former CEO of Shell Oil. "It was designed for a time in the past when our country had a different population.” President Obama has backed this bipartisan infrastructure bank bill as more feasible than a version his administration pushed earlier. "President Obama is the biggest proponent of public-private partnerships to hold office to date," argues Likosky. "The Infrastructure Bank is a rare case of a popular bipartisan idea, born in the Beltway, that has been adopted by governors and mayors." It is trickle-down policy-making. It's also smart policy-making that business and labor, Republicans and Democrats, should all be able to agree on.

### Plan Popular

#### NIB faces bipartisan support – economic and environmental benefits

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

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

#### A NIB is popular

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

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

#### The plan is bipartisan and supported by business

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

Any proposal to devote taxpayer money to create a new federal program should always be subject to close scrutiny by Congress, especially at a time when fiscal responsibility is an especially high priority for members of Congress charged with making these decisions. But we are also facing monumental economic problems and urgent investment needs to keep our country globally competitive. With so little common ground to be found in Washington today for solutions to these problems, a bipartisan idea that has such broad support from business, labor, and investors should not be dismissed without serious consideration. The infrastructure bank is a concept that has evolved over time and taken many forms, but it has proven to be an effective tool in other countries and an attractive approach for state governments. Most of the concerns raised about the bank can be addressed by debating and amending any of the current proposals, if there is a bipartisan will to do so. The Senate is already proving this kind of cooperation and fresh thinking about an infrastructure bank is possible, and the members of this Committee should not foreclose their chance to do the same here by rushing to judgment on the new bank proposals.

#### NIB is popular – CEO’s, wall street, labor, and its bipartisan

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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. Donohue that has more recently been adopted in the American Jobs Act.

### Politics: unpopular

Joyce Miller, partner with Kaminski Partners LLC, a newly formed merchant bank and advisory, where she is Managing Director for Infrastructure and Energy. “The Sad Story Of The National Infrastructure Bank” December 01, 2011, http://www.sallan.org/Snapshot/2011/12/the\_sad\_story\_of\_the\_national\_infrastructure\_bank\_1.php

The idea of a national infrastructure bank was first introduced in Congress almost two decades ago, and, earlier this year, it looked like it might finally pass. The BUILD Act, which would create a non-political national infrastructure bank, was conceived by John Kerry (Dem-Mass), and had bi-partisan support in the Senate, where it was also sponsored by Senators Kaye Bailey Hutchinson (Rep-Texas), Lindsay Graham (Rep-SC) and Mark Warner (Dem-Va). It was strongly backed by President Obama, who had first talked about the concept during the 2008 Presidential campaign, and again in 2011. The BUILD Act and the bank also had the rarely-seen combined support of both organized labor and the business community. It was endorsed by both the AFL-CIO and the U.S. Chamber of Commerce.

The BUILD provision for a national infrastructure bank was included in the $447 billion Rebuild America Jobs Act proposed by President Obama. That, broader bill, however, failed to pass the Senate on November 3, 2011 on a party-line vote, when every Republican (including Senators Hutchinson and Graham) voted against it along with two Democratic Senators. The stand-alone BUILD Act might pass in the Senate in 2012, but it will have a hard time in the House, where no companion bill has been introduced yet and where it is strongly opposed by Representative John Mica (Rep-Fl), Chair of the powerful Transportation and Infrastructure Committee.

Joyce Miller, partner with Kaminski Partners LLC, a newly formed merchant bank and advisory, where she is Managing Director for Infrastructure and Energy. “The Sad Story Of The National Infrastructure Bank” December 01, 2011, http://www.sallan.org/Snapshot/2011/12/the\_sad\_story\_of\_the\_national\_infrastructure\_bank\_1.php

So how was this important bill derailed? Republicans have not allowed any legislation proposed by the President to pass, hence the party-line negative vote in the Senate, even by those Republicans who support the bank. Opposition has come from conservatives and tea party supporters, particularly in the House, who view the bank as an undesirable expansion of the role of government and as a new form of government expenditure, something seen as inherently bad. The conservative priority of reducing the national debt creates pressure to block any new spending, no matter how necessary the program. Senator Hatch (Rep-Utah) argued during the floor debate that the proposal was just another spending bill while Senator Lieberman stated "While the goals of the infrastructure bill are worthy, I believe that the most important thing we can do to improve our economy... is to dramatically reduce the debt... unless we can put our economy on sound financial footing by reining in our debt, all additional stimulus efforts will be for naught."[1]

There is some hope that the stand-alone Kerry bank proposal might pass in 2012. Speaker Boehner may decide that the bill belongs under the jurisdiction of the Energy and Commerce Committee and not Transportation and Infrastructure, where it will definitely be blocked. But as long as the conservatives in Congress make deficit reduction their top priority, and as long as they continue to believe that only tax cuts for the wealthy (the so-called 'job creators') and not spending will stimulate the economy, the prognosis is poor.

#### **Plan saps focus and is unpopular**

Ronald Utt, Ph.D., Infrastructure ‘Bank’ Doomed to Fail September 14, 2011

http://www.heritage.org/research/commentary/2011/09/infrastructure-bank-doomed-to-fail?query=Infrastructure+%2525E2%252580%252598Bank%2525E2%252580%252599+Doomed

The president’s fixation on an infrastructure bank as a means of salvation from the economic crisis at hand is — to be polite about it — a dangerous distraction and a waste of time. It also is a proposal that has been rejected consistently by bipartisan majorities in the House and Senate transportation and appropriations committees.

#### Economic, budget, and state and private pressure will make an infrastructure bank popular

Congresswoman Rosa DeLauro, D-Connecticut, 2010,

The Brookings Institution Obama’s Infrastructure Agenda: Understanding The Pillars Washington, D.C. Thursday, September 16, 2010, www.brookings.edu/events/2010/09/16-infrastructure

MS. SNYDER: Sure, thanks so much. I’m Tanya Snyder with Street Slug. I just wanted to hear more about the funding mechanisms for all this and the politics around that and what you’re expecting in the debate about how to actually make this happen.

MR. PUENTES: Maybe not directed to anybody in particular. Does

anybody want to jump on that one?

MS. TROTTENBERG: I mean, I’ll jump first. I don’t think my answer will be particularly satisfying, Tanya. You know, obviously, when the President made this announcement on Labor Day, he talked about particularly for the -- what we would consider to be the front-loaded part of a six-year bill, these oil and gas loopholes which, you know, subsequent commentary -- I think actually Ken had something about it -- we’ll see. It’s been a tough fight in Congress on that one.

We are now in the process in the administration, I think, of consulting with the leaders in Congress to talk about how we’re going to pay for something bigger going forward. I mean, I think, as Rob said, the President is committed to having this bill paid for, but he’s also committed to this being a six-year bill that is going to have greater resources than just the status quo that we’re humming along at now. That’s, unfortunately, all I can say at the moment.

CONGRESSWOMAN DeLAURO: With regard to the financing of the bank, there have been legislation that I have and the Senate, Senators Dodd and Hagel had a bill in 2007. The then-Senator Obama was supportive of the infrastructure bank concept, went through the campaign with that. And, quite frankly, in the first budget, the first budget year, there was the capitalization of the bank at $5 billion a year for 5 years, which is what the legislation calls for. And in my own view, it wasn’t in the second budget, but it was the $4 billion fund that was under transportation, and I spoke out about that, because I think we need to get to an independent entity in the bank, but it’s a question and an issue. There was only $2 billion in that first budget year that was appropriated for this concept, which, quite frankly, didn’t go anywhere. But I think that we’re getting to a new time and a new place and a new environment, and what the President has come forward now with -- and he didn’t parse that $50 billion, so as do we know, you know, what happened, but I think it was significant movement on saying that we are going to move forward, try to move forward on an infrastructure bank and that we will capitalize it at what it needs to make the, you know, the most happen.

Just this last point. I think there is really significant support for an infrastructure bank and the public-private capitalizing of it that needs to be brought to bear on the Congress. I think earlier on when Bruce spoke, et cetera, about what’s happening with governors, et cetera, what’s happening in Virginia, there are a number of state infrastructure banks, South Carolina, California, you heard about Virginia, we’ve got good models internationally. So that I think it’s coming into its own. And I think, therefore, we need to really -- we’re bringing Congress along on this issue in terms of the financing of this bank.

MR. STRADER: Just to add one thing, I think when you look at how we’re going to fund transportation moving forward, whether it’s at the state level, whether it’s at the federal level, I think that you really have to look towards innovation.

I think we’re getting to the point now where we can’t just say, okay, we need new revenues. And I’m not at all trying to be partisan here, so let’s just, you know, raise this tax or get rid of this exemption or whatnot. I think down the road realistically that’s going to have to be part of it, but you also have to look at, you know, reform, consolidate, privatize, things like that, because when you go back in and you look and take a deep look, it can oftentimes be pretty amazing, the amount of money that you can find and then reinvest that money back into the system. MR. PUENTES: I mean, clearly, the financing and funding issues; you got a 900-pound gorilla in the room. We have the governors and the states that are facing their big problems. The federal trust fund, we know of those problems. The general revenue, we’ve had to infuse in that over the last 2 years, I think up to 60 billion if you include some of the stimulus stuff. We have the Deficit Commission and all that deficit conversation, which we know is getting ready to happen in a big, big way here in this town come December, so all of this is kind of circling. And I think we’re going to have -- these are the questions we’re going to have to deal with I think very soon.

# Topicality

### USFG Investment Increase

#### **NIB is a government investment increase**

Felix G. Rohatyn 2008, Co-Chair on the Commission on Public Infrastructure, Speech delivered to the U.S. Senate Banking Committee Senator Christopher Dodd, Chairman March 11, 2008

As you know, Mr. Chairman, our commission proposed a new type of government effort to spur the rebuilding of public infrastructure—a National Infrastructure Bank that will refocus our national infrastructure policy on those projects that generate the most significant returns. Such a new facility would allow us to treat the renewal of our country’s roads and bridges, schools and water lines, airports and air traffic control systems, ports and water projects, as investments, and not simply as budget expenditures.

Our Commission’s recommendation would create a federal entity that will more effectively finance infrastructure projects of substantial national or regional significance using public and private capital. The National Infrastructure Bank Act that you and Senator Hagel have authored could do exactly that, and we strongly urge its passage.

#### The bank is USFG owned

Congressman Keith Ellison 2009, D-Minn United States House of Representatives, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

And so this is modeled after the European Investment Bank and other development banks around the world. It would be a wholly-owned government corporation that would have the authority to issue new public-benefit bonds to finance loans and loan guarantees for regionally and nationally significant infrastructure projects. It would also provide a secondary market, a liquidity, for purchasing infrastructure-related securities.

#### The National Infrastructure Bank is an investment.

The European Institution 2011

The European Institution. "Time for a U.S. Infrastructure Bank"" The European Institute. N.p., 13 July 2011. Web. 28 June 2012. <http://www.europeaninstitute.org/Our-Must-Reads/qtime-for-a-us-infrastructure-bankq.html>.

"Time for a U.S. Infrastructure Bank" from Politico by Felix G. Rohatyn, banker and former U.S. ambassador to France. The Obama administration is proposing the creation of a U.S. government-run "infrastructure bank" that would consolidate investments to renew America's ageing roads, bridges and ports. Rohatyn notes that the U.S. is falling badly behind Europe and China in infrastructure modernization and says that this new bank would generate private investment in these projects. Infrastructure financing is "an investment rather than an expense" for U.S. competitiveness and quality of life. Recommended by European Affairs. (7/13)

### Substantial Increase

#### **The plan would compliment, not entirely replace status quo infrastructure investment**

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

If it were to create a national infrastructure bank, Congress would need to consider the fate of

these other programs. One option would be abolish the programs that appear to have the same

objectives as the infrastructure bank, such as TIFIA, but keep the programs that are primarily

aimed at providing assistance to smaller projects, such as the Wastewater and Drinking Water

SRFs and the State Infrastructure Bank program. Another option would be to create the national

infrastructure bank as an added mechanism for credit assistance, with the possible duplication o of effort this entails. All existing national infrastructure bank proposals take this latter approach.

### Substantial

#### Congressman Ellison proves the plan is significant

Congressman Keith Ellison 2009, D-Minn United States House of Representatives, The Brookings Institution, The Bernard L. Schwartz Forum on US competitiveness infrastructure investments, economic growth and jobs, Thursday, December 10, 2009

And the fact is that the American Society of Civil Engineers has estimated that at least $1.6 trillion gap over the next five years in just maintaining existing infrastructure. We’ve got some investing to do. And with rampant, double-digit unemployment throughout our country, it’s important to note that investing in infrastructure creates jobs at a very high multiplier. Every $1 billion in federal funds invested in infrastructure creates over 47,000 jobs and $6.2 billion in economic activity. This is high-impact stuff. And for these reasons, we need to make a new national commitment to infrastructure in this country. And I want to submit to you that it is a heavy lift. It is a political paradigm shifter. And this is why I’m proud to be able to work with my colleagues, led by Representative DeLauro, in introducing the National Infrastructure Development Bank. As I said, it’s a big lift. It is a change in how we have done infrastructure financing. But the time has come to do it.

And it seems like a great time to do it. Because wasn’t it during the Civil War that Abraham Lincoln said we’re going to build an intra continental, intercoastal -- cost-to-coast railway system? Wasn’t it shortly after World War II that President Eisenhower said we’re going to build an interstate highway system? Wasn’t it during the Great Depression that we embarked on rural electrification?

When economic times are tough, that might be the best time to do something bold, to do something big, to think beyond the confines of the recent past.

So our legislation builds upon the tireless work of Representative DeLauro over the many sessions of Congress, and on a national infrastructure bank proposal that I introduced last Congress with Financial Services Committee Chairman Frank -- and which was a companion bill that Senator Dodd introduced in the Senate. This legislation would create an Infrastructure Development Bank modeled on a European Investment Bank and other development banks around the world.

Now, this is truly an American idea, but let me remind you that when President Eisenhower said, “You know, we need an interstate highway system,” he got the idea from across the pond. It was looking at the autobahn, and his assumption that it would be hard-slogging through Germany, but then finding an excellent highway system that made him think, you know, we

### Effects-T

#### A national infrastructure bank IS the topic.

Mallett, Maguire, and Kosar, 2011

William J. Mallett, Specialist in Transportation Policy; Steven Maguire, Specialist in Public Finance; and Kevin R. Kosar, Analyst in American National Government, Congressional Research Service, “National Infrastructure Bank: Overview and Current Legislation” December 14, fas.org/sgp/crs/misc/R42115.pdf

The central policy objective of a national infrastructure bank is to increase investment in infrastructure. Greater investment is desired because high-quality, well maintained infrastructure is believed to increase private-sector productivity and improve public health and welfare. The magnitude of the increased productivity, however, is not settled, as empirical analysis does not always support the conjecture that greater infrastructure investment uniformly generates productivity gains.1 The type of infrastructure and the type of investment are critical elements in such an assessment.

# K-ish

### Transparency Turn

#### The plan increases transparency in government decision-making.

Rendell, 2012

The Honorable Ed Rendell, Co-Chair, Center Forward, “Building America’s Future” March 19, http://www.center-forward.org/2012/03/19/issue-point-example/

But in order for this to translate to programs at the federal level, there must be wholesale reform of the current transportation program structure. Americans are clamoring for greater accountability and transparency to ensure that scarce resources are being invested on the right projects that will bring long term economic benefits. Federal transportation policy still largely adheres to an agenda set over 50 years ago during the Eisenhower Administration. It’s time to bring bold and visionary changes to our current policies and bring our transportation policy into the 21st century. One way to bring greater accountability and transparency is to stand up a National Infrastructure Bank. A properly constructed Bank will take politics out of the decision making process and will invest in projects based on merit and help to finance critical projects of national or regional 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 state and local governments as well as the private sector and subjecting all requests to a benefit-cost analysis. Clear accountability and transparency requirements would be part of the process.

#### Transperancy is key to democracy, specifically to freedom of speech and information.

OSF 11

Open Society Foundation, Opening government, [content/uploads/2011/09/Opening-Government.pdf+Government+transperancy+boosts+justice&hl=en&gl=us&pid=bl&srcid=ADGEEShyb2Wre68McYncnaIFdIAhR9OqL6BdbUuuWu-lJNX\_kpyWrUYw2uD3KlB68MWvk4k9GSNFotIHYkW4onae-5uA8iN\_ftZtsx-wgOFf41rCVZjlOsi1awfls1F5Z8NSiAlwxzhK&sig=AHIEtbTcJ2ebdYevHFqBKe3KUsp\_29HgEg](https://docs.google.com/viewer?a=v&q=cache:P4opX1P_4MEJ:www.transparency-initiative.org/wp-content/uploads/2011/09/Opening-Government.pdf+Government+transperancy+boosts+justice&hl=en&gl=us&pid=bl&srcid=ADGEEShyb2Wre68McYncnaIFdIAhR9OqL6BdbUuuWu-lJNX_kpyWrUYw2uD3KlB68MWvk4k9GSNFotIHYkW4onae-5uA8iN_ftZtsx-wgOFf41rCVZjlOsi1awfls1F5Z8NSiAlwxzhK&sig=AHIEtbTcJ2ebdYevHFqBKe3KUsp_29HgEg), 2011

Openness in relation to information on governmental functioning is a crucial component of democratic governance. There are few things more abhorrent to democracies than a lack of transparency in their functioning, and secrecy in public affairs is generally a sign of autocratic rule. Such transparency is the foundation for the seeking of accountability from those who exercise power over public policy issues and governmental functioning, including not only governments but also large corporations, trade unions, civil society organisations (CSOs), funding agencies and special interest groups. This information would also include all information on private bodies that can be accessed by public authorities. Transparency helps citizens to independently evaluate governmental functioning and thus hold accountable any instances of corruption or mismanagement, whether at the level of policy formulation or at the level of implementation. Thus, the freedom of speech and expression and the right to receive information, which are seen as two sides of the same right under most international covenants, are both vitally important in ensuring transparent and accountable governance.

#### Transparency stops imperialistic governmental manipulation of the non-elite population.

de Lazari-Radek and Singer 10

Katarzyna, PhD Philosophy and lecturer at the Institute of Philosophy at Lodz University in Poland and Peter, Professor of Bioethics at Princeton University and Laureate Professor at the Centre for Applied Philosophy and Public Ethics at the University of Melbourne SECRECY IN CONSEQUENTIALISM: A DEFENCE OF ESOTERIC MORALITY, 2010, www.law.nyu.edu/academics/colloquia/clppt/ECM\_PRO\_062727

Transparency permits open discussion and criticism of rules and policies that are being considered for implementation. To accept a morality that is only for the elite implies that we are permitted to manipulate those who are not part of the elite, in order to produce the best consequences. When we do so, we are unable to seek the opinions of those who we are manipulating on the policies we are actually implementing. This is the essence of Williams’ objection to ‘Government House utilitarianism’. We imagine the white colonial administrators sitting around in their cane armchairs under the ceiling fans, discussing how best to rule the natives. They may discuss their policies among themselves, and with the imperial government back home, but not with those who are most directly affected by them, the natives themselves. Under these circumstances they will have a tendency to convince themselves that what is in the best interests of the imperial power is the right thing to do. The danger is great that it will all go wrong because of the absence of exchange of ideas that could have happened if the policies had been transparent.

Transperancy is critical to the public making informed decsions.

Islam 02

Roumeen, Ph.D in International Economics and an Economic Advisor The World Bank, The Right to Tell, World Bank Institute, pg 31-32, google book

Essentially, meaningful participation in democratic processes requires informed participants. Secrecy reduced the information available to the citizenry, hobbling people’s ability to participate meaningfully. Anyone who had sat on a board of directors knows that its power to exercise direction and discipline is limited by the information at its disposal. Management knows this, and often attempts to control the flow of information. We often speak of government being accountable to the people, but if effective democratic oversight is to be achieved then the voters have to be informed: they have to know what alternative actions were available and that the results might have been. Those in government typically have far more information relevant to the decisions being made than those outside government do, just as the management of a firm typically has far more information about the firm’s markets, prospects, and technology than do shareholders, let alone other outsiders. Indeed. Managers are paid to gather this information. One might argue that in a society with a free press and free institutions, little is lost by having secrecy in government; after all, other sources of relevant information are available. Indeed, recognizing the importance of information for effective governance, modern democratic societies try to protect the freedom and independence of the press and endeavor to promote independent think tanks and universities, all to provide an effective check on government. The problem is that government officials often represent the only or major source of relevant and timely information. If officials are subjected to a gag order, then the public has no real effective substitute. This is true both with respect to discussion of policy and of data (information), because much of the information that is collected is itself a public good. If the government does not provide the data, no one will or they will be supplied in insufficient quantity. Governments that are engaged in policies that have the effect of increasing inequality will not want data that show the policies’ adverse effects on inequality to become known, at least until the policies are solidly into place. Similarly, policymakers often believe that if they can establish a consensus behind a particular policy in secret, then it will be better able to withstand opposition, but that public disclosure of the direction that the consensus is taking before the consensus has been formed will create sufficient public pressure to prevent that particular consensus, or possibly any consensus from emerging. To reiterate, Openness is an essential part of public governance. Hirschman described exit and voice as instruments for discipline in organizations. For members of public organizations, that is, citizens, exit is typically not an option, and therefore greater reliance is placed on voice. In the private marketplace how a firm organizes itself- whether it keeps secrets or not- makes little difference. Customers care about its products and prices, and regardless of how the firm organizes production, if it produces good products at low prices it will succeed. Transparency issues arise of course. Firms often lack the incentive to disclose fully the attributes of their products and government, accordingly, enforced a variety of disclosure requirements for firms raising new capital publicly, and fraud laws (for a discussion of market incentives for disclosure and the need for government intervention see, for example, Grossman 1981; Stiglitz 1975a,b, 1998).

# CP Ansrs

### Pick a Tek CP

#### Status quo targeted infrastructure investments exacerbate structural ills

Bruce Katz and Robert Puentes 2010, January 15, 2010 12:00am, “Obama's Plans to Rebuild American Prosperity”

http://www.brookings.edu/up-front/posts/2010/01/15-prosperity-katz-puentes

What followed—the American Recovery and Reinvestment Act (ARRA)—was the most important and visible infrastructure policy effort of the past year and reflected a belief that infrastructure investment could provide both short-term jobs and long-term growth. Our early and ongoing assessments of ARRA found that the law usefully directed billions of dollars toward infrastructure. In fact, we estimate that, excluding the tax cuts, about a quarter of the total recovery package is directed toward infrastructure.

Unfortunately, the need for fast action meant the nation had to rely on existing “business-as-usual” delivery systems. As a result it thwarted any conversation about real reform and reinforced the approach of spreading money around instead of targeting investments. The administration’s one spatial directive of investing in so-called economically distressed areas only made a bad situation worse.

#### Be highly skeptical of their tek solves evidence – the rate of return fails to include cross-transportation platform analysis – the bank is key

Treasury and the Council of Economic Advisers 2012, “A New Economic Analysis Of Infrastructure Investment” Department Of The Treasury With The Council Of Economic Advisers. MARCH 23, 2012 = http://www.treasury.gov/press-center/news/Pages/03232012-infrastructure.aspx

Not surprisingly, the literature suggests that the economic benefits from various infrastructure projects vary widely.11,12 Moreover, even if previous infrastructure investments had economic

benefits, it is not clear that policymakers should expect the same rate of return for subsequent infrastructure investments. This is especially true when one considers the network effects that are associated with the creation of original transportation networks. We must continue to take advantage of new investment opportunities made available by technological progress and be mindful of the fact that at some point, there are diminishing returns from further investments in a particular area. As Fernald observed, “Building an interstate network might be very productive; building a second network may not.”13

#### Perm do both

#### Perm solves – it improves direct investment options

Mallett et. al. 2011, “National Infrastructure Bank: Overview and Current Legislation”

William J. Mallett, Specialist in Transportation Policy, Steven Maguire, Specialist in Public Finance, Kevin R. Kosar, Congressional Research Service, December 14.

Analyst in American National Government

National infrastructure bank proposals would support infrastructure development by providing

relatively low-interest loans and other types of credit assistance in such a way as to stimulate investment by state and local governments and private funding sources. A national infrastructure bank, moreover, could be complementary to direct federal investment in infrastructure.

### CP: States

#### State banks fail, they lack funding and motivation to fund nationally significant transportation

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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.

#### States lack adequate leverage capacity – more funding without first building a bank infrastructure will result in the reappearance of Solyndra’s ghost

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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

TIFIA, 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.

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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 bearing the cost alone. And a properly structured national bank would have much lower borrowing costs than state banks, particularly with U.S. Treasury rates at historically low levels, as they are now. Those savings could be passed through to states by partnering with state banks to finance projects selected and preapproved by the states themselves. By improving the economics of such projects, the national bank would also make them more attractive to investors, making more private capital available to states to leverage scarce taxpayer dollars. In short, the approaches used so far to expand public investment tools and mobilize private capital for infrastructure financing have been positive steps for the country. But even with more money, they can not address all of our national investment needs, and they should not be thought of as substitutes for a national infrastructure bank, but rather as complementary partners to the bank.

#### States let their infrastructure collapse to acquire more federal funding

Everett Ehrlich 2010, Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs, president of ESC Company, a Washington, DC-based economics consulting firm. Senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office, “A National Infrastructure Bank: A Road Guide to the Destination,” Progressive Policy Institute, October 2010

Getting off the Appropriations Merry-Go-Round The current funding system has a tendency to encourage state and local governments to put off needed projects in hope that they can secure federal appropriations funding in the future. The absence of an alternative to the current infrastructure project funding system holds state and local governments captive to that system, and leads good and important projects to be deferred or delayed.

Many believe that an improved levy system in New Orleans was postponed because there was always the chance that the city would be able to grab the brass ring in the merry-go-round of the annual appropriations process. Certainly, the state’s political apparatus preferred that federal money first go to the state’s barge navigation system (even if any calculations that demonstrated the superiority of that project, if they exist, were subsequently proved false).

An associated source of delay is the carrying capacity of the jurisdiction in question. It seems unlikely that good, overdue projects in Illinois or Harrisburg – places in different stages of insolvency – will get built anytime soon. More generally, funds allocated to infrastructure projects too often follow the creditworthiness of the jurisdiction, not that of the project itself. This makes it harder for communities and regions to make the investments that might help in their economic improvement.

### CP: Export-Import

#### Export-Import is organizationally is overburdened – only an external bank can solve

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

Testimony of Scott Thomasson Progressive Policy Institute October 12, 2011, United States House Of Representatives Committee On Transportation And Infrastructure: Hearing before the Subcommittee on Highways and Transit “National Infrastructure Bank: More Bureaucracy and Red Tape” October 12, 2011, http://republicans.transportation.house.gov/Media/file/TestimonyHighways/2011-10-12%20Thomasson.pdf

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 familiar 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.

#### Democrats will say no – they are wedded to their own I-bank concept

Tanya Snyder, Streetsblog's Capitol Hill editor in September 2010 after covering Congress for Pacifica and public radio, 10/07/2011 “Does the Elusive Infrastructure Bank Already Exist?

There’s not a lot of interest on Capitol Hill yet about this idea, but it could become the compromise that saves the whole I-bank concept. For now, some say, politicians that have been on the forefront of the bank idea would rather stick with their own idea (which they can then take credit for).

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.”

#### Solvency Turn- High Speed Rail is a go green initiative, EX-import will say no

Justin Guay Published: April 12, The writer is Washington representative of the Sierra Club International Climate Program [http://www.washingtonpost.com/opinions/the-ex-im-bank-ignores-clean-energy opportunities/2012/04/12/gIQAJU7aDT\_story.html](http://www.washingtonpost.com/opinions/the-ex-im-bank-ignores-clean-energy%20opportunities/2012/04/12/gIQAJU7aDT_story.html)

The April 9 editorial “[Impasse over the Ex-Im](http://www.washingtonpost.com/opinions/the-ex-im-impasse/2012/04/08/gIQAY2KW4S_story.html)” missed the boat on the Export-Import Bank’s congressionally mandated renewable-energy target — and the tremendous opportunity that clean-energy exports pose for the U.S. economy. Clean energy is a [$260 billion global industry](http://www.reuters.com/article/2012/01/12/us-clean-tech-investment-idUSTRE80B1NX20120112) whose exports create far more jobs per dollar invested than do investments in traditional fossil fuels. If institutions such as the Ex-Im Bank fail to ensure American [business opportunities](http://www.washingtonpost.com/opinions/the-ex-im-bank-ignores-clean-energy-opportunities/2012/04/12/gIQAJU7aDT_story.html) in this fast-growing market, our competitiveness, along with our environment, will be directly threatened. Unfortunately, however, Ex-Im has ignored its renewables requirement for decades, with no penalty. To date, the highest portion of its portfolio dedicated to this important sector was less than 1 percent. The bank also provides more fossil fuel financing than any federal source, including [loans](http://www.washingtonpost.com/opinions/the-ex-im-bank-ignores-clean-energy-opportunities/2012/04/12/gIQAJU7aDT_story.html) for the world’s largest and most polluting coal-fired power plants, in India and South Africa. This is a catastrophe for the climate, our economy and our jobs.¶ The Obama administration has called for an end to wasteful fossil fuel subsidies. If anything, Congress must justify the Ex-Im Bank’s existence as a modern economic institution by ditching fossil fuel finance and increasing the renewable-energy requirement along with penalties for noncompliance.

#### Ex-Import fails extension by Majority, it’s entirely too expensive by **JILLIAN** LANE on MAY 16, 20**12**

WASHINGTON, D.C – On May 16, the U.S. Senate voted on a series of amendments to the Export-Import Reauthorization bill (H.R. 2072), including one introduced by Sen. Rand Paul that would prohibit Ex-Im financing to countries that own U.S. [debt](http://www.conservativeactionalerts.com/2012/05/paul-amendment-to-export-import-bank-reauthorization-fails/). The amendment failed, with a vote of 89-9.¶ Prior to the vote, Sen. Paul took to the Senate floor to describe the benefit of adopting his amendment and ending corporate welfare.¶ “First, we borrow billions of dollars from China, India, and Saudi Arabia then we [loan](http://www.conservativeactionalerts.com/2012/05/paul-amendment-to-export-import-bank-reauthorization-fails/) it back to them again.¶ Republicans rightly complain that we’re sending taxpayer money to the President’s major donors at Solyndra and Bright Source. Now Republicans need to be consistent and say we’re not going to send Ex-Im [loans](http://www.conservativeactionalerts.com/2012/05/paul-amendment-to-export-import-bank-reauthorization-fails/) to even bigger companies who are even more profitable. If it is wrong for the government to choose winners and send your money to corporations, we should say it’s wrong and we should vote against this.¶ Anybody remember the President threatening to increase taxes on corporate jets? Ex-Import banks are now going to increase the loans for corporate jets tenfold.¶ My amendment will stop this charade. My amendment will stop sending taxpayer dollars overseas to countries who we already are borrowing money from. It makes no sense, and the time has come to stop it.”

#### Tax-payers check, Counter-plan can’t solve

Ike Brannon and Elizabeth Lowell l May 2011, <http://americanactionforum.org/sites/default/files/Ex-Im%20Final%20Draft21.pdf> (American Auction Forum)

Ex-Im is considered selfsustaining and does not require annual ¶ appropriations. However, its mandate to provide ¶ loans too risky for the private sector makes taxpayers ¶ responsible for guaranteeing loans with a relatively ¶ high risk of default, raising the possibility of the need ¶ for taxpayer resources at some point in the future. ¶ Ex-Im’s budget analysis should be reviewed critically ¶ given the inherent challenge in predicting the costs of ¶ loans and guarantees accurately

No guarantee for the projects, EX-import invests into  
Ike Brannon and Elizabeth Lowell l May 2011, <http://americanactionforum.org/sites/default/files/Ex-Im%20Final%20Draft21.pdf> (American Auction Forum)

Ex-Im’s financing ¶ may help create jobs in specific industries. However, ¶ for the economy as a whole export financing merely ¶ redistributes jobs across the economy rather than ¶ create more overall jobs. In addition, Ex-Im’s ¶ economic impact analysis process may be insufficient ¶ to guard against risks such as harm to U.S. industries ¶ that compete with subsidized foreign purchasers of ¶ U.S. exports.

#### **Counter-plan will expect major delays**

Ike Brannon and Elizabeth Lowell l May 2011, <http://americanactionforum.org/sites/default/files/Ex-Im%20Final%20Draft21.pdf> (American Auction Forum)

Ex-Im faces a number of ¶ challenges in satisfying conflicting congressional and ¶ political mandates, such as meeting specific targets ¶ for providing financing to small businesses, minority ¶ and women-owned businesses, and producers of ¶ environmentally beneficial exports **while playing a ¶ key role in achieving the President’s goal of doubling ¶ exports in five years.**