# NIB Neg

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## Topicality/Procedurals

### T – Direct Spending

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

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

Appendix A: Technical Definitions of Infrastructure Investment

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

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

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

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

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

#### Voting issue ---

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

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

### Increase

#### Investment refers to money or capital

http://dictionary.reference.com/browse/investment

in·vest·ment

   [in-vest-muhnt] Show IPA

noun

1.

the investing of money or capital in order to gain profitable returns, as interest, income, or appreciation in value.

#### Interpretation: A substantial increase in investment must mean an increase in funding for transportation infrastructure

#### Violation:

#### Infrastructure banks are not an increase, they only increase EFFICIENCY of investments

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

Today’s fiscally constrained environment demands a new approach to infrastructure policy, allowing us to upgrade our existing infrastructure, expand choices in moving people and goods (and ideas), ease the burden on household budgets, and help us attain energy independence. Spending must produce real gains in productivity, inclusion, and environmental sustainability—the foundation of short- and long-term prosperity. In this time of limited resources, improving the federal investment process should be prioritized over finding ways to merely increase the amount infrastructure spending. This brief examines the current federal investment process and the extent to which a federal capital budget or a national infrastructure bank (NIB) would improve it. It finds that creating a federal capital budget would provide little improvement for the federal decisionmaking process on infrastructure financing. However, while the more modest NIB is no silver bullet, if appropriately designed and with sufficient political autonomy, it could improve both the efficiency and effectiveness of future federal infrastructure projects of national significance.

Standards

1. Predictable ground: we lose generic arguments based on the assumption that affirmatives will INCREASE investments owned by the federal government, efficiency arguments strip us of spending links to all core generic disads
2. Education – we lose good debates that hinge on increasing spending on infrastructure

Voting issue:

Topicality is a voting issue to restore fairness and establish a standard for future debates.

### Bank Spec

Interpretation: the affirmative must specify the type of infrastructure bank and its implementation measures

Violation: The plan only says national infrastructure bank Several bills have been introduced – they vary significantly

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

My name is Ronald. D. Utt. I am the Herbert and Joyce Morgan Senior Research Fellow at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Until recently, federal interest in infrastructure banks has been limited to legislation focusing on the creation and funding of state infrastructure banks, several of which were created in the 1990s and are still in operation. Recently, congressional focus has shifted to a federal infrastructure bank or a related financing facility, and several bills have been introduced in Congress to create such an entity. Added to the many congressional initiatives are the several plans that President Barack Obama has proposed since taking office.

What these federal-level proposals all have in common is the goal of attempting to muster a greater volume of financial resources for various types of infrastructure, but beyond that they all differ significantly in how they would operate, who would run them, the volume and source of funds, what they can invest in, and what types of infrastructure would be eligible for support.

Some would be limited to just transportation infrastructure; others would allow investments also in water supply and treatment, housing, energy, and environment; and still others would focus on infrastructure with a social welfare intent. Some would be funded by appropriations only, while others would have a mix of appropriations and debt. In some, this debt would be guaranteed by the federal government; in others, it would not. Some would provide loans, loan guarantees, and grants, while others would provide only loans and loan guarantees.

Some of the bills have changed significantly from session to session. The White House has offered at least three different proposals, the most recent being the American Infrastructure Financing Authority included in the American Jobs Act proposal.

Standards

1. We lose research depth and literature based arguments, this undermines clash and fairness.

1. Makes the affirmative a moving target, which undermines pre-round prep, and causes a strategic skew in the 1NC, 2AC clrificatino a nd CX are too late and are not binding.

### Spec is key

#### The debate is whether the bank should be in the department of transportation or wholly separate from the government

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

In keeping with recent history, several infrastructure bank bills are pending before the 112th

Congress.18 The three primary infrastructure bank bills discussed here are S. 652, S. 936, and

H.R. 402. Two, S. 652 and H.R. 402, would create a wholly owned federal government

corporation. In contrast, S. 936 would create a “fund” within the Department of Transportation

(see Table 1 for a brief summary of the legislation).

There are several additional infrastructure bank bills pending that are not separately addressed in

this report as they are all very similar to the three analyzed. The discussion of S. 652 can

generally be applied to S. 1549 and S. 1769.19 And S. 1550 (and its House companion, H.R. 3259)

would create an “independent establishment” called the “National Infrastructure Bank.”20

William A. Galston, the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, 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>

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.

## Inherency

#### Squo Solves

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Nonetheless, if credit availability is at issue, then a quick review of existing transportation infrastructure federal credit programs reveals that there are plenty of attractive credit programs including the U.S. Department of Transportation (USDOT) Transportation Infrastructure Finance and Innovation loan program (TIFIA), Private Activity Bonds, and State/Municipal/public authority Revenue Bonds.[3] For passenger and freight rail projects, there is also the USDOT’s Rail Rehabilitation and Improvement Financing (RFFI) program.

For these concerns, there are questions but not yet any answers.

If grants were to be provided by the new bank, how would they be different from—or better than—those already provided through the existing mechanisms in USDOT and the highway program?

If current levels of credit availability for existing federal transportation credit programs are deemed to be insufficient by some, why not propose that these existing channels be improved and/or expanded?

If spending is thought to be deficient, why not simply provide more grants through the existing mechanism rather than going through the costly and complicated process of setting up and operating a new federal transportation entity, which President Obama’s budget estimates would cost upwards of $270 million to create and staff?[4]

In this era of fiscal austerity and yawning budget deficits, wouldn’t there be better uses for this money than a redundant bureaucracy?

Are the banks’ independent status, separate board, funding, and approval process designed to circumvent the existing role that state DOTs and governors have in the allocation of transportation resources?

Would its independent status and separate board of directors thwart congressional oversight?

I don’t think a satisfactory answer has been provided to any of these questions, and certainly none of the existing proposals have addressed them. But they are certainly valid concerns, and Congress should seek answers to them as Members contemplate these many infrastructure bank proposals.

## Solvency

### 1NC

#### Investing in NIB is pointless, money is more effective towards existing programs

Mica ’11 (John Mica (R-Florida), is the chairman of the House Transportation and Infrastructure Committee, 10/13/11, “House believes National Infrastructure Bank is not necessary” http://www.roadsbridges.com/house-believes-national-infrastructure-bank-not-necessary)

House Transportation & Infrastructure Committee leaders, transportation officials and experts believe the creation of a new National Infrastructure Bank would add to the amount of red tape and federal bureaucracy that already slows down and diverts funding away from transportation and infrastructure projects. The House T&I Committee held a hearing about the strategy on Oct. 12. Members of the committee and witnesses highlighted existing federal programs and authorities that could be strengthened to finance infrastructure projects more effectively than simply increasing the size of the government. “If the [Obama] administration’s goal is to get people to work immediately, a National Infrastructure Bank that will require more than a year to create and $270 million to run is not the answer,” said T&I Committee Chair John Mica (R-Fla.). “That is funding that should be used for infrastructure, but would instead be used to create more red tape.” Most at the hearing agreed that the main focus should be on expediting the cumbersome project-approval process, and creating the National Infrastructure Bank would make this goal almost impossible to meet. Rep. John Duncan (R-Tenn.), chairman of the House Highways and Transit Subcommittee, said the Transportation Infrastructure Finance and Innovation Act program (TIFIA) is already doing in essence the job of an infrastructure bank, and that more funding should be devoted to the already established program. “This proposal is simply just another distraction as Congress pushes for a long-term surface transportation reauthorization bill,” said Duncan. “The administration should be focused on helping Congress pass this much overdue legislation and give the states some long-term funding certainty that a National Infrastructure Bank would most certainly not accomplish.”

#### Although there is a problem with infrastructure in the status quo, National Infrastructure Bank cannot solve

MARK GERENCSER 11 (April 2011, Mark Gerencser, a Booz Allen Hamilton Executive Vice President, leads the firm’s U.S. Commercial Business. An article written for the American Interest “Re-Imagining Infrastructure” http://www.the-american-interest.com/article.cfm?piece=926)

We need a national vision that brings together a definition of our long-term needs, a policy framework that integrates the separate policies of energy, environment and transportation, and stable financing throughout the renewal lifecycle. We must create more stability in long-term funding, performance requirements and functionality, and policy leadership. Every successful large infrastructure program requires stability in all three of these areas. Developing a clear vision is the sine qua non. The magnitude of the challenge we face requires bold thinking and the mobilization of our national political will. President Obama and several Congressional leaders on both sides of the aisle have proposed creation of a National Infrastructure Bank, initially capitalized at $50 billion. Other proposals would fund, separately, the Department of Transportation, the Department of Energy, the Environmental Protection Agency and the Department of Defense (the largest Federal energy user). These efforts, though laudable, do not match the magnitude of the challenge at hand, nor do they enable the integration of national efforts toward a common vision.

#### Bank will fail, too slow and is politicized

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, 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

President Obama remains enamored of an “infrastructure bank,” an idea flogged, in one shape or another, for several years now.

All of the proposals floated to date involve creating a new federal bureaucracy that would provide loans and grants for construction or repair projects sought by state or local governments. In some proposals, those funds would be provided via the congressional appropriations process. In others, the bank simply would borrow the money. But no matter what the source of the cash, this hard fact remains: An infrastructure bank would do little to spur the economic recovery — and nothing to create new jobs. Such a bank has all the liabilities of the American Revitalization and Investment Act of 2009 (ARRA). You’ll recall that this $800 billion “stimulus” included $48.1 billion for transportation infrastructure. Yet, as the president acknowledged recently and the Heritage Foundation predicted, the funded projects have been very slow to get under way and have had little impact on economic activity. Why is an infrastructure bank doomed to fail? For starters, it’s not really a bank in the common meaning of the term. The infrastructure bank proposed in the president’s 2011 highway reauthorization request, for example, would provide loans, loan guarantees and grants to eligible transportation infrastructure projects. Its funds would come from annual appropriations of $5 billion in each of the next six years. Normally, a bank acts as a financial intermediary, borrowing money at one interest rate and lending it to creditworthy borrowers at a somewhat higher rate to cover the costs incurred in the act of financial intermediation. That would not be the case here. Grants are not paid back. As a former member of the National Infrastructure Financing Commission observed, “Institutions that give away money without requiring repayment are properly called foundations, not banks.” Infrastructure bank bills introduced by Sen. John Kerry, Massachusetts Democrat, and Rep. Rosa L. DeLauro, Connecticut Democrat, illustrate the time-consuming nature of creating such a bank. Both bills are concerned — appropriately — with their banks’ bureaucracy, fussing over such things as detailed job descriptions for the new executive team; how board members would be appointed; duties of the board; duties of staff; space to be rented; creating an orderly project solicitation process; an internal process to evaluate, negotiate and award grants and loans; and so on. This all suggests that it will take at least a year or two before the bank will be able to cut its first grant or loan check. Indeed, the president’s transportation “bank” proposal indicates just how bureaucracy-intensive such institutions would be. It calls for $270 million to conduct studies, administer the bank and pay the 100 new employees required to run it. In contrast, the transportation component of the ARRA worked through existing and knowledgeable bureaucracies at the state, local and federal levels. Yet, despite the staff expertise and familiarity with the process, as of July — 2½ years after the enactment of ARRA — 38 percent of the transportation funds authorized were still unspent, thereby partly explaining ARRA’s lack of impact. The president’s fixation on an infrastructure bank as a means of salvation from the economic crisis at hand is — to be polite about it — a dangerous distraction and a waste of time. It also is a proposal that has been rejected consistently by bipartisan majorities in the House and Senate transportation and appropriations committees.

#### Turn: Infrastructure bank slows investment down

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

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

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

Funds were spent slowly and relatively few jobs were created when most needed in the economy. Also, from its review of projects and available data, the GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided, and (2) project officials’ efforts to provide em­ployment opportunities to the unemployed ranged from no effort being made to work­ing closely with state employment agencies to locate unemployed persons.[5]

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

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

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

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

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

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

Would State Infrastructure Banks Be a Better Bet?

#### Fails leveraging capital

EHL ’12 - Federal Liaison for the Washington State. Department of Transportation; editor of the Transportation Issues (Larry, “The Fantasy Solution of an Infrastructure Bank”. April 16. http://www.transportationissuesdaily.com/the-fantasy-solution-of-an-infrastructure-bank/)

Aggarwala correctly notes that infrastructure banks offer a way around the political challenges of convincing elected officials and the public to raise the gas tax, and the pervasive myths (my words) of earmarks:¶ “Private investors’ money multiplies limited public funds; those investors’ bankers help ensure that politicians don’t prioritize the wrong projects; and the projects themselves remain public — thus avoiding the downsides of true privatization.”¶ That solves only the challenge of timing, not the challenge of wealth. Aggarwala describes how financing and infrastructure banks can solve the timing challenge:¶ By definition, a financing problem is one of timing: a project built today creates value tomorrow, but the builder doesn’t have the cash today to get started. So an investor lends, the borrower builds and the two share the value created tomorrow. That’s finance. . . .Investment can unlock future revenue that can be shared with a lender.¶ The problem is that much if not all of the public funds come from existing revenues. That in turn reduces the amount of funds available in the future for other needed maintenance, preservation and capacity improvements.¶ In some cases, the public funds are new, such as tolling revenue. But tolling is an option on very few roads across the country. Further, there is strong opposition to tolling new roads and even stronger opposition to tolling an existing road for expansion and improvements. Aggarwala dissects the dilemma:¶ “Unfortunately, America’s most dire infrastructure problems are . . . like Pennsylvania’s 6,000 structurally deficient bridges. Replacing these won’t create new value, serve new traffic or generate new economic development, so financing has to come from existing income. And that’s a problem not of timing, but of wealth. Even if a replacement bridge can be financed through an infrastructure bank, the debt service on the loan has to be paid back with existing wealth.¶ Worse, most of America’s bridges are untolled, so even if their replacements were to carry more traffic, they wouldn’t yield new direct revenue. At best, through gasoline and other taxes, they would bring money into the federal Highway Trust Fund and into state and local governments. So what’s necessary to unlock financing is funding from increased future allocations from the Highway Trust Fund, or from state and local taxes.¶ But that is the very problem an infrastructure bank tries to avoid.”¶ I would quibble with his point about not generating new economic development. A new bridge or road can improve economic vitality but rarely enough to back private investment, which I think is Aggarwala’s point.¶ There’s one aspect Aggarwala doesn’t mention, according to Joung Lee, Deputy Director of the AASHTO Center for Excellence in Project Finance. Congress, during its debates on a national infrastructure bank (NIB), has yet to reach “a full consensus on what exactly such an entity should do. So far the debate has exhibited qualities of a Rorschach test, where interested stakeholders project what they want to see in a NIB based on their varied interests. For example, Aggarwala takes it as a given that a NIB would extend loans to recipients that are selected through careful vetting based on sponsor creditworthiness and project risk. However, some supporters of the NIB have proposed activities that would include grant funding in addition to extending credit. Direct grant-making by a NIB would essentially displace state DOT and MPO decision-making with an entity that is much further removed from the transportation plans and projects to which such funds are applied. In addition, such activities would most likely reduce the purported ability of a NIB to efficiently leverage seed capital and bring discipline to project selection with minimal political interference.”¶ So in the end, an infrastructure bank and financing tools are excellent *additional* tools which will help a few public agencies. They will help primarily with mega-projects at our ports and in our major cities – both of which are the economic engines of our country. Puentes comments that given “the absence of progress in Washington, cities like Chicago are showing the way forward. They are stepping up to devise new ways to conceive and finance a range of infrastructure projects as the physical means to an economy-shaping end, rather than end in itself.”

But infrastructure banks and financing tools will do little to help the majority of smaller ports, and rural and suburban cities and counties who face overwhelming infrastructure needs and funding shortfalls. As Aggarwala notes, it is “fantasy” to believe we can “find a way other than taxes (on gasoline and property) or user fees (tolls and the like) to pay for infrastructure.”

### 1NC: Must Be More than Transportation

#### Bank must include projects beyond transportation to be effective

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

Third, any bank that we create should have broad infrastructure range. We have to do this, we’ve got to change the way we invest in infrastructure, we have to do what the President is suggesting, streamline, modernize our approach while taking an overall view of what U.S. infrastructure, the state of this at the moment. One of the benefits of the infrastructure bank that I’m proposing is that it funds a range of projects, transportation, environmental infrastructure, energy infrastructure, water, telecommunications, that is the way it’s laid out in the bill, it gives states and localities one place to turn to fund wide ranging projects while also looking at the creation of a diversity of revenue streams, location and -- types that are involved in the bank, the bank activities. So I will just make a couple of just concluding points. The bank, as we have laid it out, as I have just laid it out, enjoys broad support. It is democrats, republicans, labor, business. The U.S. Chamber is supportive of this, as well as labor unions. We’ve got the civil engineers, the Association of General Contractors, the National Governors Association, people of the caliber of Ambassador Felix Roatan, who has some knowledge of infrastructure financing, is very supportive. ANDERSON COURT REPORTING You saw maybe in the Financial Times this week, Bernard Schwartz’s

#### Transportation bank only would continue to fragment programs undermining future economic growth

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

And I do believe, as I’ve said, that we have a fragmented program here so that we are not addressing -- we don’t have a good grasp of what we need to do overall on infrastructure.

So once again, you’re getting into what is traditionally a federal difficulty, is you’ve got silos. You’re looking at transportation. Now we are, you know, energy, so you’ve got a whole bunch of energy projects there, you’ve got environmental infrastructure. There is no over arching plan to look forward to what it is that deals with a growth capacity in terms of economy.

And I submit, we just have truncated what we’re spending here, and, therefore, we’re looking at not the kinds of returns on the investment, because the investment is getting smaller and smaller rather than growing over time.

## 1NC Solvency Frontline

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

#### **a. Bureaucracy**

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

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

#### b. Fiscally Irresponsible

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

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

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

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

#### NIB would take forever to implement

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

A Bank offers the prospect of dramatic improvement in infrastructure programs, but its proponents must temper their enthusiasm. The Bank is not a fountain of free money. The Bank model works because somewhere, somehow, someone must pay something that can be turned into a stream that repays private lending, and that somewhere the salami can be sliced so that there is enough left to feed those private lenders profitably. This requires fees, bills, fares, or some other kind of payment; otherwise, private lending is only a veil for more public borrowing, and at a higher cost. For that reason, a Bank needs to separate its credit enhancement and go-to-market activities in order to make clear the level of subsidy going to any project regardless of the form it takes. It will be a long time before a National Infrastructure Bank replaces the modal programs and imposes rationality on the current infrastructure financing system. But by looking at the way we appraise and select projects, the terms on which we invite private resources to the challenge of financing new assets, and give localities and their users the right signals, we can measure our progress towards the horizon goal.

#### Infrastructure bank will fail to produce enough income to cover costs – it’s worse than Fannie and Freddie

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Beginning in the 1930s, the federal government created a number of bank-like entities and credit insurance facilities, and every one of them has been challenged by serious, if not catastrophic, financial failure that often involved costly taxpayer bailouts. They include the Federal Land Banks, Farm Credit Administration, Federal Housing Administration, Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Home Loan Banks, and Fannie Mae and Freddie Mac. The latter two are perhaps the most catastrophic of all, with the taxpayer bailout cost totaling about $150 billion so far.

In every case, these entities were believed to have been soundly organized and operated, and they provided loans and guarantees and insurance on products or entities that were also believed to be financially sound. Importantly, these loans and investments also provided a reliable stream of income to fund the federal entity, service its debt, and provide it with the necessary reserves and contingency funds.

In short, they were all deemed to be commercially viable, as were their clients. Yet they all failed in one way or the other despite the top-notch talent thought to be running them.

Could the Bank Avoid These Risks?

In this regard, what is noteworthy about the typical infrastructure bank proposals is that all will begin with risks and deficiencies that significantly exceed those confronting the federal finance entities cited above. Fannie Mae, for example, was supposed to be investing only in conforming mortgages, thought by most to be a safe, conservative investment providing a steady stream of interest and principal repayment.

In contrast, and with the exception of some well-established toll roads, bridges, and tunnels, most transportation infrastructure earns no revenue and must be supported entirely through taxes or related user fees. Most roads are still “free” to users and likely will remain so, while fares earned on even the best-run transit systems cover none of their debt service and only about half of their operating costs.

While a growing share of new transportation capacity underway will be tolled and thus will yield a stream of revenues, “freeways” will likely continue to be the norm. However, even the act of tolling is no assurance that the necessary and sufficient revenues will be there to cover debt service: Over the past decade or so, a number of new toll roads in Virginia, California, South Carolina, and Texas have suffered revenue shortfalls of some significant magnitude. Obviously, a revenue-generating environment of this degree of uncertainty seems likely to impose important challenges to any transportation infrastructure bank attempting to maintain a sound financial footing.

## 2NC Solvency

### 2NC Bureaucracy Ext.

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

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

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

### 2NC Selective Ability Ext.

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

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

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

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

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

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

### 2NC Fiscal Irresponsibility

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

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

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

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

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

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

### A2: Benefits are Short-term

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

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

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

## Solvency – 2NC

#### Turn – Infrastructure bank falls to special interests

MCCONVILLE ‘9 - masters in city & regional planning (“National Infrastructure Bank: What’s the Deal?”. December 11. http://thecityfix.com/blog/national-infrastructure-bank-whats-the-deal/)

These disadvantages are described:

With political independence comes a loss of accountability. A bank that is not reliant on Congressional appropriations is not subject to the oversight of the executive or legislative branches. This vacuum could be filled by other influences, such as special interest lobbying or the preferences of the bond market.

As a bank, the NIB would strive to maximize its own returns. This could mean that governments with wealthier jurisdictions would be favored for funding, as they would be able to offer more favorable terms to the NIB. Recipients of funding may also choose to convert the economic returns from a project into revenue returns that could be promised to creditors. But this would only work for certain types of projects, i.e. a bridge that can be tolled easily, as opposed to a highway where tolling would be more complex, which could create biased project selection in favor of certain projects.

The needs of private investors could hamper good transportation planning and management. For example, private investors in a road project want to be guaranteed that future changes to the system do not devalue their investment, so contracts would set a range of acceptable toll prices. This would interfere with the operator’s ability to manage demand through congestion pricing. Similarly, private investors often demand non-compete or compensation clauses, which bar or discourage adding capacity to a system if it results in less ridership on the toll road in which they have invested.

Infrastructure investment is often used as a counter-cyclical economic stimulus. Government invests during recessions, providing jobs and encouraging spending. As the economy recovers, fiscal policy should recede, making room for private spending. An NIB would not necessarily jive with this counter-cyclical idea, as private capital markets become more risk-averse during recessions.

Overall, it seems that a National Infrastructure Bank would address some flaws in the transportation funding system but perhaps create others. One serious question is yet to be answered. Several panelists at yesterday’s Brookings discussion on infrastructure and economic development echoed a sentiment that has been expressed by countless transportation advocates: America needs a comprehensive new transportation vision. How would a National Infrastructure Bank, driven by profit motive and free from government accountability, help us build and carry out that vision?

#### No funds for the plan

SCHULZ ‘10, Contributing Editor -- Logistics Management (John D., “Transportation infrastructure: Is a U.S. Infrastructure Bank an idea whose time has come?”. April 2. <http://www.logisticsmgmt.com/article/455228-Transportation_infrastructure_Is_a_U_S_Infrastructure_Bank_an_idea_whose_time_has_come_.php>)

Poole said the larger problem is state departments of transportation don't allocate enough for maintenance budgets of existing transportation entities. That's because such maintenance budgets are "the first things to be cut" during tough economic times. So in addition to funding new projects, states should increase their sources of dedicated funding to maintain existing assets.

Bryan Grote, co-founder of Mercator Advisors, a financial advisory firm that works with sponsors of infrastructure projects, said the bank's appeal would be to more effectively utilize revenue into commercially viable projects.

"Designing the bank would be difficult, but implementing it would be a major challenge," Grote said. "It probably can be a useful step. But the key is it being given the expertise and backing to ensure this entity is doing a better job in provided assistance in a better way. The primary problem is a lack of revenue, not a lack of access to capital markets."

#### Failed funding mechanisms

FREEMARK ’10 – Independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University (Yonah, “Benefits and Pitfalls of a National Infrastructure Bank”. March 8. http://www.thetransportpolitic.com/2010/03/08/benefits-and-pitfalls-of-a-national-infrastructure-bank/)

But as nice as the infrastructure bank may sound, its own financing mechanisms have yet to be clearly defined, even though the way it would lend out is relatively easy to understand.

In his fiscal year 2011 budget, President Obama suggested appropriating $4 billion to establish the new infrastructure bank, with the assumption that the new agency would distribute grants to qualified projects and have its coffers refilled every year or so depending on need. Of course, what’s envisioned there is no bank at all, since it wouldn’t be generating revenue in return for its investments: it would be draining Washington’s coffers even more, with no clear explanation for why it is necessary. What’s the point of establishing another federal agency to dole out grants for infrastructure, when the Departments of Transportation, Housing and Urban Development, and Energy already do that all the time?

This non-bank idea, in other words, is a non-starter.

But what about an infrastructure bank that distributed loans at low interest rates and then expected to get its money back over time? What Connecticut Congresswoman Rosa DeLauro has been proposing for years is something modeled on the European Investment Bank (EIB). The EIB was founded in 1958 and provides low-interest loans at up to 50% of cost to qualified projects in a variety of sectors in Europe and North Africa. Recent projects funded by the EIB’s transport division include an extension of the Bilbao Metro in Spain, a tramway network in Lodz, Poland, and the high-speed rail line between Istanbul and Ankara in Turkey.

Despite its vast size and lending obligations — it is larger than the World Bank — the EIB is independent, does not rely on infusions of funds from any European governments, and has a stellar credit rating.

The principal of encouraging states and local governments to take out low-interest loans was championed by the stimulus act of early 2009, which included a provision for Build America Bonds. Governments have now issued $78 billion in these bonds, now representing 20% of the municipal debt market, mostly because the BAB program is such a good deal for public authorities that want to take out debt for new construction projects. Unlike the proposed infrastructure bank, however, the BAB program does not distribute funds based on merit, nor does it rely on a government bank — the federal government artificially produces low interest rates by subsidizing private loans.

But the EIB and BAB models, as interesting as they are, do not actually increase the amount of money being spent on transportation in the long-term — they simply transfer more of the current spending load into debt. Is that a good idea when governments are already so squeezed by limited budgets? How can we be sure that we’ll be in an adequate financial situation to pay back these debts in the future? Spending now through loans inherently means less spending in the future: If Los Angeles compresses thirty years of transit spending into ten, what happens during the other twenty? Nothing at all, unless another separate revenue source is established.

So none of the the infrastructure bank proposals put forth thus far will actually aid in reversing the current lack of adequate financing for transportation.

#### No quality control

FDL ’11 (Fire Dog Lake, “Infrastructure Bank Creates More Non-Accountable Decision-Makers”. http://firedoglake.com/2011/08/04/infrastructure-bank-creates-more-non-accountable-decision-makers/)

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.

If he were writing today, he would see the same problem, only now aggravated by the anti-tax mania of the Tea-Zombies and their Democratic enablers; the miserable financial position of the States; and by the coming fight over the fuel tax, which expires at the end of September. The fuel tax is the funding source for the nation’s highway trust fund, which finances most of the road-building, major maintenance and mass transit systems. It is on the hit list for Grover Norquist and the crazy party. Without it, there will be even less money for infrastructure. [cont'd.]

Rohatyn says that the decision-making process is also a big a problem. We don’t have an organized process for making good decisions about major programs, what to repair, what to replace and what to create, whether it’s water treatment plants, airport expansion or highways. Instead, we have bureaucratic fiefdoms handing out whatever money they have based on their own ideas, or earmarks directed at filling the needs of congresscritters to bring home the bacon to their contributors. Or, we rely on state government to figure out the best way to handle their needs. Rohatyn wants something like an industrial policy, where the federal government picks winning and losing projects:

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. 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.

In Rohatyn’s telling, the infrastructure bank would apply meritocratic criteria to the projects it funds. And by bank he means the board of directors: unelected people like cabinet officials and people appointed by President Obama, Majority Leader Reid and Speaker Boehner. He wants us to cede control of major infrastructure completely to unelected and unaccountable people. At least, they will not be accountable to citizens. They will be solely responsible to the investors in the bank, the rich and the entitled. What else would you expect from the profoundly anti-democratic elites?

We wouldn’t have this problem if we raised taxes, but that would violate the rights of Americans not to pay taxes. Instead of taxes, we pay interest or tolls to Abu Dhabi and other clients of Goldman Sachs and JPMorgan Chase. The interests of these financiers and their clients are certainly aligned, but not with the interests of US citizens.

#### Economic decline inevitable - the banks will result in outsourcing

Clyde Prestowitz July 11, 2011, is founder and President of the Economic Strategy Institute, “Where the jobs went,” http://prestowitz.foreignpolicy.com/posts/2011/07/11/where\_the\_jobs\_went

The idea of stimulus incorporated in the standard economic models is that it will create demand for goods and services produced in America and thereby drive investment in new factories and jobs to produce more of those goods and services. The difficulty is that we do not want to stimulate a lot more construction or finance (those were the bubbles that collapsed after all), and greater stimulus to create demand for things we largely import does not drive new investment or creation of new jobs in America. It only increases our debt. What is needed is not just demand in the American economy, but demand that results in domestic production and that does not increase domestic or international debt.

Think about this in the wake of the recent New York Times article reporting on the new Oakland Bay Bridge being made in and imported from China. Building infrastructure like bridges is a time-honored way of creating demand in the economy that creates jobs. Indeed, just this past weekend President Obama called for creation of an Infrastructure Bank that would enable a dramatic ratcheting up of U.S. investment in critical infrastructure. It's a good idea and one that I, along with others, have long promoted. But if the decision of the state of California to have the main structural elements of the Oakland Bay Bridge made in China is a harbinger of things to come, then an Infrastructure Bank is likely to create more jobs in Asia than in the United States.

No doubt former Governor Arnold Schwarzenegger and his cabinet thought they would save about $400 million on steel by buying the bridge in China because Chinese steel production has been heavily subsidized and China's government manages its yuan to be artificially undervalued versus the dollar. But what they didn't consider was that those subsidies tend to make U.S.-based production uncompetitive and not only put American workers out of jobs but exert downward pressure on wages generally while eroding critical investments in equipment and human skills, reducing state, municipal, and federal tax revenues, and contributing to the shrinkage of the national educational base. No one in California took a look at even the whole state picture, let alone the national picture, to determine whether buying a bridge in China was really going to be a net gain for the state (as it turns out, in the past two years the price of Chinese steel has risen much faster than that of U.S. steel so that even the initially projected savings are unlikely to be realized). Even worse, no one at the federal level of the U.S. government has any responsibility for evaluating the net impact of these kinds of deals or for reducing the leakage of stimulus spending abroad and maximizing the domestic production impact of government spending.

Until our economists and officials begin to wrestle with the need for the United States not only to stimulate its economy but to do so in ways that will lay the basis for America to increase its wealth-producing capacity and pay its way, they are likely to find themselves in a continuous state of shock.

#### The bank are not sufficient to resolve the advantages – funding gaps and infrastructure bill problems will remain

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 #2: Supporters of the national infrastructure bank believe it is a substitute for passing transportation reauthorization bills. Reality: Many in the transportation community worry that bank proposals distract from the need for Congress to pass broader reauthorization legislation. Supporters of the infrastructure bank acknowledge that it is not a silver bullet for meeting our investment needs or a substitute for comprehensive aviation and surface transportation bills. The bank is not even a stopgap measure for transportation spending—its funding would be very small compared to the funding levels in the aviation and surface bills. No one has suggested that passing a bill to create an infrastructure bank would be enough for anyone to declare our investment problems solved, or to reduce the urgency of reaching agreement on long-term funding bills that allow planned projects to move forward and create jobs immediately. The bank is one part of a multi-pronged approach to meeting our infrastructure investment challenges. It is intended as a durable institution that would complement existing programs and those contemplated by the reauthorization bills. And the debate about the bank is not just about transportation—it is also intended to complement and improve existing programs for other types of infrastructure, such as energy and water projects.

#### Status quo solves – a national bank repeats past efforts

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 federal government already uses a wide range of direct expenditures, grants, loans, loan

guarantees, and tax preferences to expand infrastructure investment. A national infrastructure

bank would be another way to provide federal credit assistance, such as direct loans and loan

guarantees, to sponsors of infrastructure projects. To a certain extent, a new institution may be

duplicative with existing federal programs in this area, and Congress may wish to consider the

extent to which an infrastructure bank should supplant or complement existing federal

infrastructure efforts.

#### Infrastructure banks will build projects that have the least spillover benefits

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. http://www.fas.org/sgp/crs/misc/R42115.pdf, last accessed 5.20.12

Analyst in American National Government Selecting projects through an infrastructure bank has possible disadvantages as well as advantages. First, it would direct financing to projects that are the most viable financially rather than those with greatest social benefits. Projects that are likely to generate a financial return through charging users, such as urban water systems, wastewater treatment, and toll roads, would be favored if financial viability is the key element for project selection. Conversely, projects that offer extensive spillover benefits for which it is difficult to fully charge users, such as public transit projects and levees, would be disfavored.53

#### Turn, A bank would take years to function properly, this could tradeoff with current investments in the short term

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

Although a national infrastructure bank might help accelerate projects over the long term, it is

unlikely to be able to provide financial assistance immediately upon enactment. In several

infrastructure bank proposals (e.g., S. 652 and S. 936), officials must be nominated by the

President and approved by the Senate. The bank will also need time to hire staff, write regulations, send out requests for financing proposals, and complete the necessary tasks that a new organization must accomplish. This period is likely to be measured in years, not months. The example of the TIFIA program may be instructive. TIFIA was enacted in June 1998. TIFIA regulations were published June 2000, and the first TIFIA loans were made the same month.45 However, according to DOT, it was not until FY2010 that demand for TIFIA assistance exceeded

its budgetary authority.46

#### The bank would reduce overall funding for 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

One attraction of the national infrastructure bank proposals is the potential to encourage significant nonfederal infrastructure investment over the long term for a relatively small amount of federal budget authority. Ignoring administrative costs, an appropriation of $10 billion for the infrastructure bank could encourage $100 billion of infrastructure investment if the subsidy cost were similar to that of the TIFIA program.47 The critical assumption, however, centers on the estimated risk of each project. The current methods used to budget for federal credit programs generally underestimate the potential risk and thus the federal commitment (as measured by the “subsidy cost”).48 Increasing the estimated subsidy cost would result in a significant reduction in the amount available for investment. For example, doubling the average subsidy cost from 5% to 10% would reduce available loan capacity by half, as the loans are expected to cost the government twice as much.

#### Infrastructure bank is the next Fannie/Freddie

K.E. Campbell, certified public accountant, September 4, 2011, “Infrastructure bank a bad idea” http://www.americanthinker.com/blog/2011/09/infrastructure\_bank\_a\_bad\_idea.html

AFL-CIO president Richard Trumka wants it. The rent-seeking and increasingly statist U.S. Chamber of Commerce wants it. So does RINO Senator Lindsey Graham. Senator John Kerry really wants it. Former SEIU boss Andy Stern envisions it being a mechanism to tax the overseas profits of multinational corporations. President Obama is supposedly obsessed with it and is considering making it part of his latest "jobs plan." It is an infrastructure bank. The idea, under different names, has been around for several years. The government-owned entity would provide funding for, primarily, transportation projects through federally funded loans, guarantees, and grants and "leverage" those funds to "attract significant private-sector investment." Tax payers would initially capitalize and ultimately underwrite the "bank" (a misnomer, as banks do not award grants). In theory, the concept has certain merits, but the reality, especially in the grips of big government ideologues, would be something different. To call for such an entity is to admit governments' past failures and improvidence in this critical area, highlighting the untold amounts squandered on non-critical if not wasteful, even unconstitutional, expenditures. Recall that the massive, $800 billion "stimulus" bill in 2009 was sold largely on the premise of funding much-needed infrastructure improvements and repairs. For centuries, this country has financed most of its local, state and federal infrastructure through our existing governmental bodies and taxing authorities--without an infrastructure bank--via regular appropriations, municipal bond markets, and other means. Ronald Utt, Ph.D, of the Heritage Foundation thinks the idea of an infrastructure bank is "a dangerous distraction and a waste of [Obama's] time." Paul Roderick Gregory of Forbes believes such an institution "would simply be a political slush fund and encourage wasteful spending by political cronies." Conn Carroll of the Washington Examiner describes the proposed bureaucracy as "just another stimulus boondoggle." House Republicans are suspicious that such a bank "is nothing more than a vehicle for more stimulus spending, disguised as "capital investment."" Picture a kind of TARP/stimulus/Fannie Mae Frankenstein. Big, federally directed and funded infrastructure projects are currently viewed by many on the American left as a panacea to the ailing economy and to their guy's re-election chances. That belief, writes Chris Edwards of Cato Institute, is a "liberal fairy tale, detached from the actual experience of most federal agencies over the last century." As Carroll put it, "When [infrastructure spending] decisions are made at the federal level, politics, not cost-benefit analysis, dictates what gets funded." The track records of our country's existing governmental "banks," like the Federal Reserve, Fannie Mae, and Freddie Mac, don't bode well for a national infrastructure bank. Like most "public-private partnerships," the associated risks would be borne solely or disproportionately by the public. Further, granting decision-making authority to unelected bureaucrats rather than elected officials is a bad idea (though neither is perfect). A national infrastructure bank would be an embodiment of statism, central authority, deficit spending, and social engineering (think "green jobs" and union favoritism) in the form of a new, eternal and ever-expanding federal bureaucracy. It is exactly what we don't need.

#### **The bank would would dampen long term infrastructure investment**

Yonah Freemark March 8, 2010 independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University, from which he graduated in May 2008 with a BA in architecture. He writes about transportation and land use issues for The Transport Politic and The Infrastructurist. “Benefits and Pitfalls of a National Infrastructure Bank” <http://www.thetransportpolitic.com/2010/03/08/benefits-and-pitfalls-of-a-national-infrastructure-bank/>

But the EIB and BAB models, as interesting as they are, do not actually increase the amount of money being spent on transportation in the long-term — they simply transfer more of the current spending load into debt. Is that a good idea when governments are already so squeezed by limited budgets? How can we be sure that we’ll be in an adequate financial situation to pay back these debts in the future? Spending now through loans inherently means less spending in the future: If Los Angeles compresses thirty years of transit spending into ten, what happens during the other twenty? Nothing at all, unless another separate revenue source is established. So none of the the infrastructure bank proposals put forth thus far will actually aid in reversing the current lack of adequate financing for transportation.

#### Transportation infrastructure high now, the bank will transfer risk onto the tax payer, the market will provide

Mark A. Calabria, director of financial regulation studies at the Cato Institute, September 9, 2010 “A Fannie Mae for Intrastructure?” http://www.cato-at-liberty.org/a-fannie-mae-for-intrastructure/

Like President Bush before him, Obama has a knack for taking the worst ideas of his opponents and making them his own. It is truly bipartisanship in the worst of ways (think Sarbanes-Oxley, the TARP or No Child Left Behind). The newest example is the President’s proposed “infrastructure bank.” A bill along those lines was introduced a few years ago by then Senator Hagel, although the idea is far from new. First, let’s get out of the way the myth that we have been “under-funding” intrastructure. Take the largest, and usually most popular, piece: transportation. Over the last decade, transportation spending at all levels of government has increased over 70 percent. One can debate if that money has been spent wisely, but there’s no doubt we’ve been spending an ever-increasing amount on infrastructure – so there goes one rationale for an infrastructure bank. The real rationale for an infrastructure bank is to transfer the risk of default away from investors, bankers and local/state governments onto the federal taxpayer, but to do so in such a manner that the taxpayer has no idea what they are on the hook for. If there are truly great projects out there that will pay their own way, then they should have no trouble getting private funding. Of course, we will be told that the bank will charge an interest rate sufficient to cover losses and that the taxpayer won’t be on the hook. Again, if it is charging an appropriate rate, then why does the bank need to be chartered (and backed) by the taxpayer? We’ve heard this story before…with Social Security, flood insurance, FHA, Fannie/Freddie…the list goes on, that all of these programs would pay their own way and never cost the taxpayer a dime. If there are truly outstanding infrastructure needs, then appropriate the money and pay for them. An infrastructure bank is just another way to allow Wall Street to line its pockets while leaving the risk with the taxpayer. If bankers aren’t willing to actually take the risks, then why exactly do we need them?

### A2: States Banks prove

#### Historically SIBS fail

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

This committee’s draft proposal for reauthorization of the federal highway program includes a section whose purpose is to enhance and expand the role of state infrastructure banks in transportation funding. Although the legislative language has not yet been made available, the draft proposal says that the new approach:

will reward states that create and capitalize state Infrastructure Banks to provide loans for transportation projects…. The percentage of federal funding that a state can dedicate to a state infrastructure bank will be increased from 10 percent to 15 percent and states will receive a specific amount of funding that can only be used to fund State Infrastructure Banks.

At present, there are several state infrastructure banks (SIBs) in operation, and their existence, or lack thereof, reflects a series of past federal SIB legislative initiatives enacted in 1991, 1995, 1997, and 1998. Today, several SIBs are in active operation, some very much so, and some illustrate the concerns discussed earlier in discussing a federal bank. A quick review of some of these SIBs suggests that few of the projects they fund return a stream of income (if any) sufficient to cover debt service and operating expenses and that state and local tax revenues account for much of the revenues supporting these banks. This suggests that they may not be materially different from the workings of the state DOT and are not banks in the normal use of the term.

## CBA Bad

#### CBA links to every K, values benefits incorrectly, and assumes perfect economic conditions

Daniel Graham, Imperial College, May 17 2010

“Cost-Benefit Analysis: Introduction and Overview of the United Kingdom Approach”

[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)

There are limitations with CBAs. The first limitation is monetization. CBA necessarily involves value judgments. These value judgments can be contentious and can prejudice the decision maker toward certain project impacts. Second, CBA is sensitive to the input values, especially demand and cost forecasts. Additionally, the calculation of NPV and BCR can be highly sensitive to the choice of a discount rate. The potential for additionality of benefits is another limitation. The WTP approach creates scope for double counting benefits, particularly regarding “transfers.” Double counting of benefits should not occur. Analysts need to ensure that benefits are counted only once. Another limitation is that the magnitude of time savings may be very small with many projects. While time savings are typically the largest component in a CBA, small time savings may have little productive value. A final limitation relates to coverage. Consumer surplus theory assumes perfect markets and the absence of market failure. Violations of these assumptions create unaccounted benefits and costs. One of the main areas of research is examining the WEI of projects to address all the economic benefits realized from transportation projects.

#### CBA cant solve environment; no standard measurement

Rich Steinman, Federal Transit Administration, May 17 2010 “Panel on Challenges of Applying Benefit/Cost Analysis: A Modal Perspective” [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)

Environmental benefits are easier to measure, but still difficult to monetize. The travel forecasts can be used to estimate reductions in vehicle miles traveled (VMT) and reductions in emissions. It is more difficult to turn these estimates into improvements in air quality, and even more difficult to estimate the value of those changes. While environmental impacts can be measured, placing a dollar value on them is not easy.

#### CBA cant solve congestion

Rich Steinman, Federal Transit Administration, May 17 2010 “Panel on Challenges of Applying Benefit/Cost Analysis: A Modal Perspective” [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)

A problem has arisen in trying to accurately measure the highway benefits from the transit New Starts projects. We have not been able to successfully obtain good estimates of the congestion-related impacts resulting from changes in mode from the local travel forecasts. We have found it difficult to evaluate the highway user benefits from transit projects.

#### Shadow-pricing reduces economic benefits of CBA

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)

When examining short-term jobs due to project construction, the labor used for construction is in general a cost, not a benefit. At a local level, these short-term jobs, are of course, a good thing. From a BCA standpoint, however, using labor for a specific project makes it unavailable for other value-creating opportunities. If wages reflect the real opportunity cost of labor, then short-term jobs are a wash from the worker’s point of view. Labor is a project cost. The opportunity cost of labor considers what workers would be doing in the absence of the specific project. Workers could be employed in a similar activity, employed at a lower productivity job, unemployed but engaged in productive activity, or unemployed at leisure. The opportunity costs of labor declines as we move down this list. When unemployment is low, is can safely be assumed that project workers will likely be working in similar jobs at competitive wage rates, and that wage rates are close to the real opportunity cost of labor. When unemployment is high, however, project workers may be otherwise un-employed or under-employed. In this situation, because wages tend to be rigid, the prevailing wage rate can exceed the real opportunity cost of labor. This situation means that the project’s labor cost measured at market wages is too high to reflect the true opportunity cost of that labor. Wages may be discounted or reduced, rather than taken at market level, to better reflect the true cost of labor. This method is called shadow pricing. The difficulty in shadow pricing is determining how much to reduce or discount wages. Shadow pricing is currently used more in Europe than the U.S. The European Commission Guidelines on BCA considers the shadow wage to be inversely correlated to the level of unemployment. In the example below, the shadow wage is equal to the market wage times 1 minus the unemployment rate. Shadow Wage = Market Wage (1-u) For example, if regional unemployment is 12 percent for unskilled workers, the conversion factor for that category of labor is equal to 1 minus the unemployment rate or 0.88. More information on this approach is available in the European Commission, Directorate General Regional Policy, Guide to Cost-Benefit Analysis of Investment Projects, July 2008. The same general principles apply for long-term jobs due to project operations and maintenance. The labor used for operations and maintenance is a cost when employing people for a specific project makes them unavailable for other value-creating opportunities. Shadow pricing is more difficult in this situation due to uncertainty in market conditions in the medium and long-term. The European Commission Guidelines do acknowledge that long-term structural unemployment exists in some areas and that shadow pricing might be appropriate.

# Advantage Answers

## Gridlock

#### **Bank has no political accountability undermining democracy**

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Management and Operational Concerns

Previous sections have already touched on the management challenges confronting any of these banks. If these banks are allowed to borrow on their own, or if they are funded by a large, one-time appropriation that can be leveraged into more debt and loan guarantees, it seems that Congress and the President would have little say in what they did and how they did it. Indeed, the nation has already experienced a couple of such incidents, and they are commonly referred to as Fannie Mae and Freddie Mac.

All of the bills to create infrastructure banks include many pages of exhaustive detail on the prospective management structure, a pseudo-corporate board, and its duties. Degrees of independence vary from one proposal to another, but the greater the independence, the more likely it is that the bank may wander away from the changed priorities of future Congresses and Presidents and instead pursue opportunities that are not necessarily in the public interest. In a democratic society where voters periodically get to pick the people and policies that govern them, it might not be appropriate to have entities supported by taxpayers that are not responsive to the voters.

There is also the question of the extent to which some of these infrastructure bank proposals may be designed also to circumvent existing budget controls and spending caps, as well as ongoing oversight. How each of these proposals might be scored is beyond the scope of this testimony, but it is certainly an issue that Congress should carefully review.

### GridLock Good

#### Political Gridlock is good- especially better than the alternative

Sergio Goncalves, 10 (November 17th The Daily Campus, A news source for the university of conneticut ”Political gridlock is good for America“ http://www.dailycampus.com/commentary/political-gridlock-is-good-for-america-1.1780522)

In fact, there are concrete examples that illustrate the blessings of gridlock and the perils of one-party rule. For instance, the initial postwar gridlock between Truman and Congress ended the Depression. Truman had wanted yet another expansion of government called the "Fair Deal," but Congress largely rejected his proposals. Instead, it repealed the excess-profits tax, cut the corporate and income taxes, and passed balanced budgets. All of this gave the private sector the incentives it needed to expand. In contrast, from 2001 to 2007, the GOP controlled both the legislative and executive branches. The result was fiscal insanity. For example, "No Child Left Behind" has been extremely costly for both the federal and state governments, costing Connecticut over $17 million alone. Furthermore, to date, the undeclared wars in Afghanistan and Iraq have cost $1.09 trillion. Clearly, then, gridlock is more beneficial than one-party rule.

#### Gridlock Good- Stops excess spending

J.T. YOUNG, 11 (January 2nd, young is a writer for the new York post, New York Post “Gridlock is good -- for US budget” http://www.nypost.com/p/news/opinion/opedcolumnists/gridlock\_is\_good\_for\_us\_budget\_l5y6AYBpviMCzVJdDuOlTN)

How well has gridlock budgeted thus far? Well, this year's spending is rising at a remarkably lower rate than last year's. As the CBO pointed out then, "excluding outlays for TARP and net cash infusions for Fannie Mae and Freddie Mac . . . spending in 2010 rose . . . 10 percent." So without the bailouts, overall federal spending was increasing at a 10 percent rate then.¶ To further test the gridlock theory, let's look again at the CBO's "other activities." While this category of spending has fallen 3.6 percent during the first two months of this fiscal year's gridlock, it rose 6.2 percent during the absence of gridlock in the first two months of the last fiscal year.¶ Admittedly, simply holding overall federal spending to a slower rate of growth isn't sufficient. After enormous increases in the last few years, the spending status quo isn't sustainable. Since fiscal year 2007, the last before the recession, federal spending has risen from $2.7 trillion to $3.5 trillion in 2010 -- more than a 25 percent hike. During the same period, the federal deficit exploded from 1.2 percent of GDP to 8.9 percent.¶ When you are in a hole, the first thing you need to do is stop digging. But even putting down the shovel -- or at least picking up a smaller one -- is still an improvement.¶ Gridlock certainly won't on its own cure America's budget bloat. Decisions to cut spending must be made and implemented -- and that requires political cooperation, of which we've seen precious little in Washington. Despite some bold and overdue proposals to control spending, the president's deficit commission couldn't reach the required consensus of 14 of its 18 members because of gridlock there.¶ So the first three months of budget gridlock is no more than a small step, or rather, a standstill. But in a place where the steps have been backward and so big over the last three years, standing still is progress of sorts. Maybe the potential for gridlock will be bad in some policy areas, but in terms of fiscal policy, it appears for now to be the cheaper alternative.

#### Gridlock Good- principle protection for minorities

Delargy 11 (October 26th, CBS News, “Scalia: U.S. system was "designed" for gridlock” http://www.cbsnews.com/8301-503544\_162-20116856-503544.html)

Supreme Court Justice Antonin Scalia attributed a lighter caseload for the Supreme Court in recent years to gridlock in Washington. Most cases taken up by the Supreme Court "get all the kinks out of a new piece of legislation" and with fewer bills passed by Congress, the Court hears about half as many cases as it did twenty or thirty years ago.¶ "It looks like gridlock," Scalia, who is currently the longest-serving justice on the Court, said Thursday. "It is what has saved us. It is precisely the difficultly of enacting legislation that the framers thought would be principle protection for minorities."¶ "Gridlock is what our system was designed for," he added.¶ The Washington Ideas Forum was hosted by The Atlantic and the Aspen Institute at the Newseum Thursday.

## Growth

### 1NC: Growth

#### Turn – the plan causes outsourcing and wage deflation, which kills the economy

PRESTOWITZ ’11 - president of the Economic Strategy Institute and writes on the global economy for FP (Clyde, “Where the jobs went”. July 11. http://prestowitz.foreignpolicy.com/posts/2011/07/11/where\_the\_jobs\_went)

The idea of stimulus incorporated in the standard economic models is that it will create demand for goods and services produced in America and thereby drive investment in new factories and jobs to produce more of those goods and services. The difficulty is that we do not want to stimulate a lot more construction or finance (those were the bubbles that collapsed after all), and greater stimulus to create demand for things we largely import does not drive new investment or creation of new jobs in America. It only increases our debt. What is needed is not just demand in the American economy, but demand that results in domestic production and that does not increase domestic or international debt.

Think about this in the wake of the recent New York Times article reporting on the new Oakland Bay Bridge being made in and imported from China. Building infrastructure like bridges is a time-honored way of creating demand in the economy that creates jobs. Indeed, just this past weekend President Obama called for creation of an Infrastructure Bank that would enable a dramatic ratcheting up of U.S. investment in critical infrastructure. It's a good idea and one that I, along with others, have long promoted. But if the decision of the state of California to have the main structural elements of the Oakland Bay Bridge made in China is a harbinger of things to come, then an Infrastructure Bank is likely to create more jobs in Asia than in the United States.

No doubt former Governor Arnold Schwarzenegger and his cabinet thought they would save about $400 million on steel by buying the bridge in China because Chinese steel production has been heavily subsidized and China's government manages its yuan to be artificially undervalued versus the dollar. But what they didn't consider was that those subsidies tend to make U.S.-based production uncompetitive and not only put American workers out of jobs but exert downward pressure on wages generally while eroding critical investments in equipment and human skills, reducing state, municipal, and federal tax revenues, and contributing to the shrinkage of the national educational base. No one in California took a look at even the whole state picture, let alone the national picture, to determine whether buying a bridge in China was really going to be a net gain for the state (as it turns out, in the past two years the price of Chinese steel has risen much faster than that of U.S. steel so that even the initially projected savings are unlikely to be realized). Even worse, no one at the federal level of the U.S. government has any responsibility for evaluating the net impact of these kinds of deals or for reducing the leakage of stimulus spending abroad and maximizing the domestic production impact of government spending.

Until our economists and officials begin to wrestle with the need for the United States not only to stimulate its economy but to do so in ways that will lay the basis for America to increase its wealth-producing capacity and pay its way, they are likely to find themselves in a continuous state of shock.

#### No impact- econ decline doesn’t cause war

Barnett ‘9(Thomas P.M. Barnett, senior managing director of Enterra Solutions LLC, “The New Rules: Security Remains Stable Amid Financial Crisis,” 8/25/2009)

When the global financial crisis struck roughly a year ago, the blogosphere was ablaze with all sorts of scary predictions of, and commentary regarding, ensuing conflict and wars -- a rerun of the Great Depression leading to world war, as it were. Now, as global economic news brightens and recovery -- surprisingly led by China and emerging markets -- is the talk of the day, it's interesting to look back over the past year and realize how globalization's first truly worldwide recession has had virtually no impact whatsoever on the international security landscape. None of the more than three-dozen ongoing conflicts listed by GlobalSecurity.org can be clearly attributed to the global recession. Indeed, the last new entry (civil conflict between Hamas and Fatah in the Palestine) predates the economic crisis by a year, and three quarters of the chronic struggles began in the last century. Ditto for the 15 low-intensity conflicts listed by Wikipedia (where the latest entry is the Mexican "drug war" begun in 2006). Certainly, the Russia-Georgia conflict last August was specifically timed, but by most accounts the opening ceremony of the Beijing Olympics was the most important external trigger (followed by the U.S. presidential campaign) for that sudden spike in an almost two-decade long struggle between Georgia and its two breakaway regions. Looking over the various databases, then, we see a most familiar picture: the usual mix of civil conflicts, insurgencies, and liberation-themed terrorist movements. Besides the recent Russia-Georgia dust-up, the only two potential state-on-state wars (North v. South Korea, Israel v. Iran) are both tied to one side acquiring a nuclear weapon capacity -- a process wholly unrelated to global economic trends. And with the United States effectively tied down by its two ongoing major interventions (Iraq and Afghanistan-bleeding-into-Pakistan), our involvement elsewhere around the planet has been quite modest, both leading up to and following the onset of the economic crisis: e.g., the usual counter-drug efforts in Latin America, the usual military exercises with allies across Asia, mixing it up with pirates off Somalia's coast). Everywhere else we find serious instability we pretty much let it burn, occasionally pressing the Chinese -- unsuccessfully -- to do something. Our new Africa Command, for example, hasn't led us to anything beyond advising and training local forces. So, to sum up: \* No significant uptick in mass violence or unrest (remember the smattering of urban riots last year in places like Greece, Moldova and Latvia?); \* The usual frequency maintained in civil conflicts (in all the usual places); \* Not a single state-on-state war directly caused (and no great-power-on-great-power crises even triggered); \* No great improvement or disruption in great-power cooperation regarding the emergence of new nuclear powers (despite all that diplomacy); \* A modest scaling back of international policing efforts by the system's acknowledged Leviathan power (inevitable given the strain); and \* No serious efforts by any rising great power to challenge that Leviathan or supplant its role. (The worst things we can cite are Moscow's occasional deployments of strategic assets to the Western hemisphere and its weak efforts to outbid the United States on basing rights in Kyrgyzstan; but the best include China and India stepping up their aid and investments in Afghanistan and Iraq.) Sure, we've finally seen global defense spending surpass the previous world record set in the late 1980s, but even that's likely to wane given the stress on public budgets created by all this unprecedented "stimulus" spending. If anything, the friendly cooperation on such stimulus packaging was the most notable great-power dynamic caused by the crisis. Can we say that the world has suffered a distinct shift to political radicalism as a result of the economic crisis? Indeed, no. The world's major economies remain governed by center-left or center-right political factions that remain decidedly friendly to both markets and trade. In the short run, there were attempts across the board to insulate economies from immediate damage (in effect, as much protectionism as allowed under current trade rules), but there was no great slide into "trade wars." Instead, the World Trade Organization is functioning as it was designed to function, and regional efforts toward free-trade agreements have not slowed. Can we say Islamic radicalism was inflamed by the economic crisis? If it was, that shift was clearly overwhelmed by the Islamic world's growing disenchantment with the brutality displayed by violent extremist groups such as al-Qaida. And looking forward, austere economic times are just as likely to breed connecting evangelicalism as disconnecting fundamentalism. At the end of the day, the economic crisis did not prove to be sufficiently frightening to provoke major economies into establishing global regulatory schemes, even as it has sparked a spirited -- and much needed, as I argued last week -- discussion of the continuing viability of the U.S. dollar as the world's primary reserve currency. Naturally, plenty of experts and pundits have attached great significance to this debate, seeing in it the beginning of "economic warfare" and the like between "fading" America and "rising" China. And yet, in a world of globally integrated production chains and interconnected financial markets, such "diverging interests" hardly constitute signposts for wars up ahead. Frankly, I don't welcome a world in which America's fiscal profligacy goes undisciplined, so bring it on -- please! Add it all up and it's fair to say that this global financial crisis has proven the great resilience of America's post-World War II international liberal trade order.

#### Trade does not solve war—there’s no correlation between trade and peace

MARTIN et al ‘8 (Phillipe, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, and Centre for Economic Policy Research; Thierry MAYER, University of Paris 1 Pantheon—Sorbonne, Paris School of Economics, CEPII, and Centre for Economic Policy Research, Mathias THOENIG, University of Geneva and Paris School of Economics, The Review of Economic Studies 75)

Does globalization pacify international relations? The “liberal” view in political science argues that increasing trade flows and the spread of free markets and democracy should limit the incentive to use military force in interstate relations. This vision, which can partly be traced back to Kant’s Essay on Perpetual Peace (1795), has been very influential: The main objective of the European trade integration process was to prevent the killing and destruction of the two World Wars from ever happening again.1 Figure 1 suggests2 however, that during the 1870–2001 period, the correlation between trade openness and military conflicts is not a clear cut one. The first era of globalization, at the end of the 19th century, was a period of rising trade openness and multiple military conflicts, culminating with World War I. Then, the interwar period was characterized by a simultaneous collapse of world trade and conflicts. After World War II, world trade increased rapidly, while the number of conflicts decreased (although the risk of a global conflict was obviously high). There is no clear evidence that the 1990s, during which trade flows increased dramatically, was a period of lower prevalence of military conflicts, even taking into account the increase in the number of sovereign states.

#### Economic nationalism is inevitable – makes economic cooperation impossible

GOLDSTONE ‘7 - PhD candidate in the Department of Political Science and a member of the Security Studies Program at the Massachusetts Institute of Technology. He is a non-resident research fellow at the Center for Peace and Security Studies, Georgetown University (P.R.,”Does Globalization Bring War or Peace?”. September 25. http://www.alternet.org/audits/62848/?page=entire)

American policymakers should beware claims of globalization's axiomatic pacifying effects. Trade creates vested interests in peace, but these interests affect policy only to the extent they wield political clout. In many of the states whose behavior we most wish to alter, such sectors -- internationalist, export-oriented, reliant on global markets -- lack a privileged place at the political table. Until and unless these groups gain a greater voice within their own political system, attempts to rely on the presumed constraining effects of global trade carry substantially greater risk than commonly thought.

A few examples tell much. Quasi-democratic Russia is a state whose principal exposure to global markets lies in oil, a commodity whose considerable strategic coercive power the Putin regime freely invokes. The oil sector has effectively merged with the state, making Russia's deepening ties to the global economy a would-be weapon rather than an avenue of restraint. Russian economic liberalization without political liberalization is unlikely to pay the strong cooperative dividends many expect.

China will prove perhaps the ultimate test of the Pax Mercatoria. The increasing international Chinese presence in the oil and raw materials extraction sectors would seem to bode ill, given such sectors' consistent history elsewhere of urging state use of threats and force to secure these interests. Much will come down to the relative political influence of export-oriented sectors heavily reliant on foreign direct investment and easy access to the vast Western market versus the political power of their sectoral opposites: uncompetitive state-owned enterprises, energy and mineral complexes with important holdings in the global periphery, and a Chinese military that increasingly has become a de facto multi-sectoral economic-industrial conglomerate. Actions to bolster the former groups at the expense of the latter would be effort well spent.

At home, as even advanced sectors feel the competitive pressures of globalization, public support for internationalism and global engagement will face severe challenges. As more sectors undergo structural transformation, the natural coalitional constituency for committed global activist policy will erode; containing the gathering backlash will require considerable leadership.

Trade can indeed be a palliative; too often, however, we seem to think of economic interdependence as a panacea; the danger is that in particular instances it may prove no more than a placebo.

## Capital Flow

#### Only private sector spending can stimulate the economy

Williams 09 (<http://www.conservativecrusader.com/articles/republicans-try-to-stimulate-economy>)

Obama says that “spending” stimulates economic growth. But he leaves out a very vital fact. PRIVATE sector spending stimulates economic growth. Government spending is what bankrupted the nation and almost every state in the union. More government spending is the worst possible move at this hour...¶ Only the people can stimulate the economy. At best, all the government can do is get out of the way, which Democrats seem hell bent on not doing at present.¶ Government can only create government jobs at additional taxpayer expense. If we replace 3 million private sector jobs with 3 million government funded jobs, we just made the problem 6 million jobs worse... 3 million productive jobs lost, 3 million taxpayer funded jobs added...

#### Market is recovering now

Gabriel Burczyk 6-12-12 (<http://www.moneymanagerresearch.com/blog/tag/us+market+recovery>)

Louis Navellier looks at the market's performance last week and how investors are feeling. "Last week brought the biggest weekly gains of the year: The Dow rose 3.59%, the S&P 500 rose 3.73%, NASDAQ rose 4.04%, and the Russell 2000 rose 4.31%. The biggest gain came Wednesday (+286 Dow points) on news that the European Central Bank (ECB) and the Fed were willing to come to the rescue again. The ECB said it would extend its policy of lending banks as much as they want for the next three months, while the Fed said that it stands ready to act if Europe's financial crisis escalates."

## Competitiveness

### Competitiveness High

#### The US is still the leader in competitiveness—the world economy goes down with us.

Frederick E. Allen, May 30, 2012. “The US Still Leads the World in Competitiveness.” Frederick E. Allen, Forbes Staff.—Leadership of Editors at Forbes. http://www.forbes.com/sites/frederickallen/2012/05/30/the-u-s-still-leads-the-world-in-competitiveness/

Worried that we’re falling behind in the world economy, and that other nations, like maybe China, are pulling ahead of us? Relax. Here’s reassurance from IMD, the international business school in Lausanne, Switzerland: The findings of its annual World Competitiveness Yearbook are just out, and they show that the only place that can touch us is a relative pygmy, Hong Kong.¶ IMD ranked 59 economies across the world, measuring “how well countries manage their economic and human resources to increase their prosperity.” It used 329 ranking criteria, a third of them arising from a survey of more than 4,200 international executives. The 10 most competitive nations, with their scores relative to the first-place finisher, are:¶ 1. Hong Kong. Score: 100.00¶ 2. USA: 97.75¶ 3. Switzerland: 96.68¶ 4. Singapore: 95.92¶ 5. Sweden: 91.39¶ 6. Canada: 90.29¶ 7. Taiwan: 89.96¶ 8. Norway: 89.67¶ 9. Germany: 89.26¶ 10. Qatar: 88.48¶ ¶ The 10 Hardest Jobs to Fill in America¶ Jacquelyn Smith¶ Forbes Staff¶ ¶ The Red Hot Heart of Leadership¶ August Turak¶ Contributor¶ Last year the U.S. and Hong Kong were tied for first place, and Singapore, Sweden, and Canada were respectively third, fourth, and fifth. The last-place finisher is Venezuela, with a score of 31.45. It’s the only country to do worse than poor, beleaguered Greece (43.05). Mainland China, in case you were wondering, is No. 23, down from 19 last year. The rankings’ authors observe that in Europe, Ireland (20), Iceland (26), and Italy (40) look better positioned to recover economically, judging by the numbers, than Spain (39), Portugal (41), or Greece (58).¶ Prof. Stephane Garelli, director of IMD’s World Competitiveness Center, says, “U.S. competitiveness has a deep impact on the rest of the world because it is uniquely interacting with every economy, advanced or emerging. No other nation can exercise such a strong ‘pull effect’ on the world. Europe is burdened with austerity and fragmented political leadership and is hardly a credible substitute, while a South-South bloc of emerging markets is still a work in progress. In the end, if the U.S. competes, the world succeeds.”

#### US is the leader in global competitiveness in the status quo.

Graham White, June 1, 2012. “World Competitiveness Rankings: What do they tell us.” The Conservation—Latest ideas and research in Australia and around the world. Graham White is a Senior Lecture in the School of Economics at the University of Sydney. http://theconversation.edu.au/world-competitiveness-rankings-what-do-they-tell-us-7397

The IMD World Competitiveness Rankings released this week are worth reflecting on, not so much because of the relative positioning of various countries – including Australia – but rather because of the reasoning which underpins the rankings.¶ The press release accompanying the rankings gives some indication of this reasoning. The first point worth noting is the potentially misleading use of the term competitiveness. When this term is used by economists it usually refers to the price competitiveness of a country’s exports and import-competing goods. And for many economists this would over time be bound up with the relative real unit labour costs across different countries.¶ The reasoning accompanying the IMD rankings suggest however a much looser use of the term “competitiveness”. What’s suggested is rather a view about the potential of different countries for sustained economic prosperity.¶ Now, price competitiveness of one’s exports and import-substitutes may be part of this, but is certainly never the whole story.¶ Moreover, as a number of economists over the years have noted, the world economy is not an open economy, but a closed economy. This means that one country’s improved competitiveness is at the expense of another country.¶ In other words, growing your economy through exports at the expense of other countries can mean exporting not just goods and services, but exporting unemployment to other countries as well.¶ IMD World Competitiveness Yearbook 2012¶ So one needs to be cautious in drawing links between competitiveness and economic prosperity – it is not a game everyone can win.¶ Another interesting feature of the IMD release relates to the position of the US. It is suggested that the “US remains at the centre of world competitiveness because of its unique economic power”.¶ Undoubtedly the element of truth in this statement is the continued hegemony of the US in the global economy.¶ But one could reasonably contend that this is much less to do with any superiority in competitiveness of the US in the narrow economic sense and much more to do with the continued dominant status of the US dollar as a de facto reserve currency in the international monetary system.¶ And this dominance – effectively emerging as far back as the end of the First World War – has continued, interestingly, while the external accounts of the US – specifically, its current account – have been deteriorating.¶ In fact the US current account has been deteriorating since the breakdown of the Bretton Woods era in the early 1970’s.This in turn has reflected a long-run deterioration in US trade performance. Yet this has not seemingly impeded the economic dominance of the US.¶

### Econ Resilient

#### Despite volatility, US econ is still resilient.

Joshua Zumbrun and Romy Varghese, May 9, 2012. “Fed’s Plosser Says US Economy Proving Resilient to Shocks.” Business Week. Zumbrun and Varghese are Business Week correspondents. http://www.businessweek.com/news/2012-05-09/fed-s-plosser-says-u-dot-s-dot-economy-proving-resilient-to-shocks

Philadelphia Federal Reserve Bank President Charles Plosser said the U.S. economy has proven “remarkably resilient” to shocks that can damage growth, including surging oil prices and natural disasters.¶ “The economy has now grown for 11 consecutive quarters,” Plosser said today according to remarks prepared for a speech at the Philadelphia Fed. “Growth is not robust. But growth in the past year has continued despite significant risks and external and internal headwinds.”¶ Plosser, who did not discuss his economic outlook or the future for monetary policy, cited shocks to the economy last year, including the tsunami in Japan that disrupted global supply chains, Europe’s credit crisis that has damaged the continent’s banking system and political unrest in the Middle East and North Africa.¶ “The U.S. economy has a history of being remarkably resilient,” said Plosser, who doesn’t have a vote on policy this year. “These shocks held GDP growth to less than 1 percent in the first half of 2011, and many analysts were concerned that the economy was heading toward a double dip. Yet, the economy proved resilient and growth picked up in the second half of the year.”¶ Plosser spoke at a conference at the Philadelphia Fed titled, “Reinventing Older Communities: Building Resilient Cities.”

#### Factory growth proves that US econ is resilient and will avoid double dip.

Fox News May 1, 2012 “US Factory Growth Shows Economy More Resilient.” Published May 1, 2012 by the Associated Press. No author listed, Fox News. http://www.foxnews.com/us/2012/05/01/us-manufacturing-grows-at-fastest-pace-since-june/

US Factory Growth Shows Economy More Resilient: WASHINGTON – U.S. manufacturing grew last month at the fastest pace in 10 months, suggesting that the economy is healthier than recent data had indicated.¶ New orders, production and a measure of hiring all rose. The April survey from the Institute for Supply Management was a hopeful sign ahead of Friday's monthly jobs report and helped the Dow Jones industrial average end the day at its highest level in more than four years.¶ The trade group of purchasing managers said Tuesday that its index of manufacturing activity reached 54.8 in April, the highest level since June. Readings above 50 indicate expansion.¶ The sharp increase surprised analysts, who had predicted a decline after several regional reports showed manufacturing growth weakened last month. The gain led investors to shift money out of bonds and into stocks. The Dow Jones industrial added 66 points to 13,279, its best close since Dec. 28, 2007. Broader indexes also surged.¶ The ISM manufacturing index is closely watched in part because it's the first major economic report for each month. April's big gain followed a series of weaker reports in recent weeks that showed hiring slowed, applications for unemployment benefits rose and factory output dropped.¶ "This survey will ease concerns that the softer tone of the incoming news in recent months marked the start of a renewed slowdown in growth," Paul Dales, an economist at Capital Economics, said in a note to clients. "We think the latest recovery is made of sterner stuff, although we doubt it will set the world alight."

## State Budget

### 1NC

#### Turn – plan destroys state flexibility, which is key to solve

MICA ‘11 - chairman of the Transportation and Infrastructure Committee (John, “Mica: States Will Have More Flexibility Without a National Infrastructure Bank”. July 21. http://www.rollcall.com/features/Transportation-2011\_Policy-Briefing/policy\_briefings/John-Mica-National-Infrastructure-Bank-207562-1.html?zkMobileView=true)

Significant reforms and improvements for transportation programs will increase the investment value of available infrastructure resources.

By leveraging limited funds more effectively, the level of infrastructure investment is increased. But a national infrastructure bank is not the best way to achieve this leverage.

The Federal Highway Administration estimates that for every federal dollar invested in state infrastructure banks, $9.45 in loans for transportation projects can be issued. To encourage states to better utilize SIBs, the Republican proposal increases the percentage of federal highway funding that a state can dedicate to a SIB from 10 percent to 15 percent, and states will receive a specific amount of funding that can be used only to fund SIBs.

Many states currently have infrastructure banks. The proposal builds upon this existing SIB structure rather than increasing the size of the bloated federal bureaucracy, as some advocate, by creating a national infrastructure bank. States will have more flexibility to make project decisions.

The proposal also expands the successful Transportation Infrastructure Finance and Innovation Act program. By dedicating $6 billion to TIFIA, $60 billion in low-interest loans to fund at least $120 billion in transportation projects will be generated. Additional TIFIA funding will help meet demand for credit assistance for projects, enabling increased leveraging of Highway Trust Fund dollars with state, local and private-sector investment.

The new fiscally responsible initiative streamlines the federal bureaucracy in other ways as well. There are more than 100 federal surface transportation programs, many of which are duplicative or do not serve a national interest. An unprecedented consolidation and elimination of about 70 of these programs under this proposal will decrease the size of the federal bureaucracy, freeing up funds that can be invested in infrastructure instead of siphoned off to maintain unnecessary programs.

#### Alt cause to education – teacher accountability systems

MINTROP AND SUNDERMAN ‘9 – Heinrich Mintrop is an associate professor in the Graduate School of Education at the University of California; AND\*\*\* Gail L. Sunderman is a senior research scientist and director of the Mid-Atlantic Equity Center at the George Washington University Center for Equity and Excellence in Education (Heinrich. Gail L. Sunderman. Sage Journals Online, “Predictable Failure of Federal Sanctions-Driven Accountability for School Improvement—And Why We May Retain It Anyway”, <http://edr.sagepub.com/cgi/content/full/38/5/353?ijkey=WezdCXsvUKaV.&keytype=ref&siteid=spedr>)

Accountability systems fashioned after NCLB principles violate core professional norms of educators and produce widespread frustration and demoralization among those charged with carrying out needed school improvement efforts. Although teaching to the test is acceptable to a certain degree, high pressure to do so to the exclusion of other more complex and far-reaching goals is not. As a result, teachers widely report that they need to compromise standards of good teaching when striving to meet accountability goals (Abrams et al., 2003; McNeil, 2000; Valenzuela, 2005). Indeed, schools’ performance or accountability status may be a poor indicator of their overall educational quality (Mintrop & Trujillo, 2007).

The moral discourse of accountability assigns failure to schools’ lack of high expectations and standards for all students and places the burden of responsibility on educators. Educators themselves are torn. They assume guilt and at the same time discount it (Booher-Jennings, 2005; Finnigan & Gross, 2007; Hargreaves, 2004; Mintrop, 2004). The belief is widespread that sanctions penalize teachers and administrators who have to work under the most difficult conditions in schools that serve children in poverty from many different demographic subgroups, a belief that resonates with evidence documented by research (Sunderman et al., 2004). As a result, low-performance labels attached to the organization are rejected as valid judgments of individual work quality (Mintrop, 2004).

#### Heg is inevitable: structural foundations buffer heg decline

NORRLOF ’10 - an Associate Professor in the Department of Political Science at the University of Toronto (Carla, “ America’s Global Advantage US Hegemony and International Cooperation” p. 1-2)

The United States has been the most powerful country in the world for more than sixty years. Throughout this period, it has had the world’s largest economy and the world’s most important currency. For most of this time, it had the world’s most powerful military as well – and its military supremacy today is beyond question. We are truly in an era of US hegemony, a unipolar moment, a Pax Americana, which has enabled Americans to enjoy the highest standard of living in human history. Is this privileged position being undercut by serial trade deficits? The pessimists are growing more numerous by the day. They see the country’s spendthrift ways as a disaster waiting to happen. They warn that the cavernous gap in merchandise trade, well above 6 percent in 2006, is an ominous sign of competitive slippage. In 2008, the liabilities acquired to finance the shortfall in exports reached an amazing 29 percent of GDP. A falling dollar, military overstretch, the rise of the euro, the rise of China, and progressively deeper integration in East Asia are among the factors that many believe herald the imminent decline of American hegemony. In my view, the doomsayers are mistaken. I argue that American hegemony is stable and sustainable. While the United States certainly does face a number of challenges, an analysis of the linkages between trade, money, and security shows that American power is robust. This book is a story about why and how American hegemony works, and what other states would have to do to emulate or, on other grounds, thwart, America’s power base. As I will show, the United States benefits from running persistent trade deficits as a result of its special position in the international system. I will argue that any comparably situated country would choose to pursue the same cyclical deficit policy as the one encouraged by the US government. A series of size advantages cut across trade, money, and security: the size of the American market, the role of the dollar, and American military power interact to make a trade deficit policy rewarding and buffer the United States from the extreme consequences that a sustained deficit policy would otherwise have.

#### No impact to the transition

IKENBERRY ‘8 professor of Politics and International Affairs at Princeton University (John, The Rise of China and the Future of the West Can the Liberal System Survive?, Foreign Affairs, Jan/Feb)

Some observers believe that the American era is coming to an end, as the Western-oriented world order is replaced by one increasingly dominated by the East. The historian Niall Ferguson has written that the bloody twentieth century witnessed "the descent of the West" and "a reorientation of the world" toward the East. Realists go on to note that as China gets more powerful and the United States' position erodes, two things are likely to happen: China will try to use its growing influence to reshape the rules and institutions of the international system to better serve its interests, and other states in the system -- especially the declining hegemon -- will start to see China as a growing security threat. The result of these developments, they predict, will be tension, distrust, and conflict, the typical features of a power transition. In this view, the drama of China's rise will feature an increasingly powerful China and a declining United States locked in an epic battle over the rules and leadership of the international system. And as the world's largest country emerges not from within but outside the established post-World War II international order, it is a drama that will end with the grand ascendance of China and the onset of an Asian-centered world order. That course, however, is not inevitable. The rise of China does not have to trigger a wrenching hegemonic transition. The U.S.-Chinese power transition can be very different from those of the past because China faces an international order that is fundamentally different from those that past rising states confronted. China does not just face the United States; it faces a Western-centered system that is open, integrated, and rule-based, with wide and deep political foundations. The nuclear revolution, meanwhile, has made war among great powers unlikely -- eliminating the major tool that rising powers have used to overturn international systems defended by declining hegemonic states. Today's Western order, in short, is hard to overturn and easy to join. This unusually durable and expansive order is itself the product of farsighted U.S. leadership. After World War II, the United States did not simply establish itself as the leading world power. It led in the creation of universal institutions that not only invited global membership but also brought democracies and market societies closer together. It built an order that facilitated the participation and integration of both established great powers and newly independent states. (It is often forgotten that this postwar order was designed in large part to reintegrate the defeated Axis states and the beleaguered Allied states into a unified international system.) Today, China can gain full access to and thrive within this system. And if it does, China will rise, but the Western order -- if managed properly -- will live on.

#### No risk of a bioterror attack, and there won’t be retaliation - their evidence is hype

MATISHAK ‘10 (Martin, Global Security Newswire, “U.S. Unlikely to Respond to Biological Threat With Nuclear Strike, Experts Say,” 4-29, <http://www.globalsecuritynewswire.org/gsn/nw_20100429_7133.php>)

WASHINGTON -- The United States is not likely to use nuclear force to respond to a biological weapons threat, even though the Obama administration left open that option in its recent update to the nation's nuclear weapons policy, experts say (See GSN, April 22). "The notion that we are in imminent danger of confronting a scenario in which hundreds of thousands of people are dying in the streets of New York as a consequence of a biological weapons attack is fanciful," said Michael Moodie, a consultant who served as assistant director for multilateral affairs in the U.S. Arms Control and Disarmament Agency during the George H.W. Bush administration. Scenarios in which the United States suffers mass casualties as a result of such an event seem "to be taking the discussion out of the realm of reality and into one that is hypothetical and that has no meaning in the real world where this kind of exchange is just not going to happen," Moodie said this week in a telephone interview. "There are a lot of threat mongers who talk about devastating biological attacks that could kill tens of thousands, if not millions of Americans," according to Jonathan Tucker, a senior fellow with the James Martin Center for Nonproliferation Studies. "But in fact, no country out there today has anything close to what the Soviet Union had in terms of mass-casualty biological warfare capability. Advances in biotechnology are unlikely to change that situation, at least for the foreseeable future." No terrorist group would be capable of pulling off a massive biological attack, nor would it be deterred by the threat of nuclear retaliation, he added. The biological threat provision was addressed in the Defense Department-led Nuclear Posture Review, a restructuring of U.S. nuclear strategy, forces and readiness. The Obama administration pledged in the review that the United States would not conduct nuclear strikes on non-nuclear states that are in compliance with global nonproliferation regimes. However, the 72-page document contains a caveat that would allow Washington to set aside that policy, dubbed "negative security assurance," if it appeared that biological weapons had been made dangerous enough to cause major harm to the United States. "Given the catastrophic potential of biological weapons and the rapid pace of biotechnology development, the United States reserves the right to make any adjustment in the assurance that may be warranted by the evolution and proliferation of the biological weapons threat and U.S. capacities to counter that threat," the posture review report says. The caveat was included in the document because "in theory, biological weapons could kill millions of people," Gary Samore, senior White House coordinator for WMD counterterrorism and arms control, said last week after an event at the Carnegie Endowment for International Peace. Asked if the White House had identified a particular technological threshold that could provoke a nuclear strike, Samore replied: "No, and if we did we obviously would not be willing to put it out because countries would say, 'Oh, we can go right up to this level and it won't change policy.'" "It's deliberately ambiguous," he told Global Security Newswire. The document's key qualifications have become a lightning rod for criticism by Republican lawmakers who argue they eliminate the country's previous policy of "calculated ambiguity," in which U.S. leaders left open the possibility of executing a nuclear strike in response to virtually any hostile action against the United States or its allies (see GSN, April 15). Yet experts say there are a number of reasons why the United States is not likely to use a nuclear weapon to eliminate a non-nuclear threat. It could prove difficult for U.S. leaders to come up with a list of appropriate targets to strike with a nuclear warhead following a biological or chemical event, former Defense Undersecretary for Policy Walter Slocombe said during a recent panel discussion at the Hudson Institute. "I don't think nuclear weapons are necessary to deter these kinds of attacks given U.S. dominance in conventional military force," according to Gregory Koblentz, deputy director of the Biodefense Graduate Program at George Mason University in Northern Virginia. "There's a bigger downside to the nuclear nonproliferation side of the ledger for threatening to use nuclear weapons in those circumstances than there is the benefit of actually deterring a chemical or biological attack," Koblentz said during a recent panel discussion at the James Martin Center. The nonproliferation benefits for restricting the role of strategic weapons to deterring nuclear attacks outweigh the "marginal" reduction in the country's ability to stem the use of biological weapons, he said. In addition, the United States has efforts in place to defend against chemical and biological attacks such as vaccines and other medical countermeasures, he argued. "We have ways to mitigate the consequences of these attacks," Koblentz told the audience. "There's no way to mitigate the effects of a nuclear weapon." Regardless of the declaratory policy, the U.S. nuclear arsenal will always provide a "residual deterrent" against mass-casualty biological or chemical attacks, according to Tucker. "If a biological or chemical attack against the United States was of such a magnitude as to potentially warrant a nuclear response, no attacker could be confident that the U.S. -- in the heat of the moment -- would not retaliate with nuclear weapons, even if its declaratory policy is not to do so," he told GSN this week during a telephone interview. Political Benefits Experts are unsure what, if any, political benefit the country or President Barack Obama's sweeping nuclear nonproliferation agenda will gain from the posture review's biological weapons caveat. The report's reservation "was an unnecessary dilution of the strengthened negative security and a counterproductive elevation of biological weapons to the same strategic domain as nuclear weapons," Koblentz told GSN by e-mail this week. "The United States has nothing to gain by promoting the concept of the biological weapons as 'the poor man's atomic bomb,'" he added.

### A2: NIB State Budget Adv.

#### Infrastructure bank will fail to produce enough income to cover infrastructure costs.

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Beginning in the 1930s, the federal government created a number of bank-like entities and credit insurance facilities, and every one of them has been challenged by serious, if not catastrophic, financial failure that often involved costly taxpayer bailouts. They include the Federal Land Banks, Farm Credit Administration, Federal Housing Administration, Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Home Loan Banks, and Fannie Mae and Freddie Mac. The latter two are perhaps the most catastrophic of all, with the taxpayer bailout cost totaling about $150 billion so far. In every case, these entities were believed to have been soundly organized and operated, and they provided loans and guarantees and insurance on products or entities that were also believed to be financially sound. Importantly, these loans and investments also provided a reliable stream of income to fund the federal entity, service its debt, and provide it with the necessary reserves and contingency funds.

In short, they were all deemed to be commercially viable, as were their clients. Yet they all failed in one way or the other despite the top-notch talent thought to be running them. Could the Bank Avoid These Risks? In this regard, what is noteworthy about the typical infrastructure bank proposals is that all will begin with risks and deficiencies that significantly exceed those confronting the federal finance entities cited above. Fannie M

ae, for example, was supposed to be investing only in conforming mortgages, thought by most to be a safe, conservative investment providing a steady stream of interest and principal repayment. In contrast, and with the exception of some well-established toll roads, bridges, and tunnels, most transportation infrastructure earns no revenue and must be supported entirely through taxes or related user fees. Most roads are still “free” to users and likely will remain so, while fares earned on even the best-run transit systems cover none of their debt service and only about half of their operating costs. While a growing share of new transportation capacity underway will be tolled and thus will yield a stream of revenues, “freeways” will likely continue to be the norm. However, even the act of tolling is no assurance that the necessary and sufficient revenues will be there to cover debt service: Over the past decade or so, a number of new toll roads in Virginia, California, South Carolina, and Texas have suffered revenue shortfalls of some significant magnitude. Obviously, a revenue-generating environment of this degree of uncertainty seems likely to impose important challenges to any transportation infrastructure bank attempting to maintain a sound financial footing.

#### Their Leachman et al evidence is terrible. In the u-underlined portion, it talks about how these budget cuts will always exist because of disaparities between high and low wealthy school districts. It also talks about how almost every state was hundreds of millions of dollars in state education funding for FY 12, meaning their impact should have happened. Also, Their COEA evidence specifically says that states and munciplalities are currently strapped for cash, meaning we should have seen the impact.

#### STEM field interest low now—should have seen impact.

Department of Labor, April 2007. “The STEM Workforce Challenge: The Role of the Public Workforce System in a National Solution for a Competitive Science, Technology, Engineering, and Mathematics (STEM) Workforce.” The Untied States Department of Labor Employment and Training Administration by Jobs for the Future. http://www.doleta.gov/youth\_services/pdf/STEM\_Report\_4%2007.pdf

There is broad consensus that the long-term key to continued U.S. competitiveness in an increas- ingly global economic environment is the adequacy of supply and the quality of the workforce in the STEM fields. Scientific innovation has produced roughly half of all U.S. economic growth in the last 50 years (National Science Foundation 2004). The STEM fields and those who work¶ in them are critical engines of innovation and growth: according to one recent estimate, while only about five percent of the U.S. workforce is employed in STEM fields, the STEM workforce accounts for more than fifty percent of the nation’s sustained economic growth (Babco 2004). Opinion leaders and the public broadly agree that education in math and science is critical to the nation’s future success. According to a recent Educational Testing Service survey, 61 percent of opinion leaders and 40 percent of the general public identify math, science and technology skills as the most important ingredients in the nation’s strategy to compete in the global economy (Zinth 2006).¶ This engine of growth is increasingly precarious in today’s global economy. The Business Round- table (2005) warns that, if current trends continue, more than 90 percent of all scientists and engineers in the world will live in Asia. The Business-Higher Education Forum (2005) concludes: “Increased global competition, lackluster performance in mathematics and science education, and a lack of national focus on renewing its science and technology infrastructure have created a new economic and technological vulnerability as serious as any military or terrorist threat.” The seminal National Academy of Sciences study, Rising Above the Gathering Storm (2006), argues that, absent a serious and rapid response, the U.S. will lose quality jobs to other nations, lowering our standard of living, reducing tax revenues, and weakening the domestic market for goods and services. Once this cycle accelerates, it will be difficult to regain lost preeminence in technology- driven innovation and its economic benefits.¶ The STEM education and workforce challenge is multi-faceted.¶ • Many students never make it into the STEM pipeline, because of inadequate preparation in math and science or poor teacher quality in their K-12 systems. Of the 2005 high school graduates who took the ACT test, for example, only 41 percent achieved the College Readiness Benchmark in mathematics and 26 percent achieved that benchmark in science (ACT 2006).¶ • Many who are academically qualified for postsecondary studies in science and math fields at both the two- and four-year levels, don’t pursue those programs: They might be dissuaded by disappoint- ing postsecondary experiences, high tuition or demanding curricula and courses of study, relatively low salaries in STEM fields compared to other professions, or the lack of role models with whom they can identify (American Association of State Colleges and Universities 2005). Whatever the rea- sons, trends in undergraduate and graduate enrollment in the biological, engineering, and physical sciences are troubling, as modest growth in STEM field degree graduates is being eclipsed by more dramatic growth in graduates from non-STEM programs (U.S. Govern- ment Accountability Office 2005).¶ • The low engagement with STEM-related learning is particularly acute among minority, female, and lower-income students, who comprise a growing proportion of the total college-going public. In the 2000 National Assessment of Educational Progress for twelfth grade students, about three out of four white and Asian students scored at or above basic level (which is far below proficient) on the math assessment, while fewer than half of Hispanics and under a third of African American students attained that level (National Science Foundation 2005).

#### US primacy no longer contain conflicts – their arguments don’t reflect the new international order

Layne, The European Magazine, 2011 (Christopher Layne is Professor and Robert M. Gates Chair in National Security at Texas A & M University's Bush School of Government and Public Service. “Bye bye, Miss American Pie” The European Magazine Online – 3-28-2011 <http://theeuropean-magazine.com/223-layne-christopher/231-pax-americana>)

American primacy’s end is result of history’s big, impersonal forces compounded by the United States’ own self-defeating policies. Externally, the impact of these big historical forces is reflected in the emergence of new great powers like China and India which is being driven by the unprecedented shift in the center of global economic power from the Euro-Atlantic area to Asia. China’s economy has been growing much more rapidly than the United States’ over the last two decades and continues to do so. U.S. decline reflects its own economic troubles. Optimists contend that current worries about decline will fade once the U.S. recovers from the recession. After all, they say, the U.S. faced a larger debt/GDP ratio after World War II, and yet embarked on a sustained era of growth. But the post-war era was a golden age of U.S. industrial and financial dominance, trade surpluses, and sustained high growth rates. Those days are gone forever. The United States of 2011 is different from 1945. Even in the best case, the United States will emerge from the current crisis facing a grave fiscal crisis. The looming fiscal results from the $1 trillion plus budget deficits that the U.S. will incur for at least a decade. When these are bundled with the entitlements overhang (the unfunded future liabilities of Medicare and Social Security) and the cost of the ongoing wars in Iraq and Afghanistan, there is reason to worry about United States’ long-term fiscal stability – and the role of the dollar. The dollar’s vulnerability is the United States’ real geopolitical Achilles’ heel because the dollar’s role as the international economy’s reserve currency role underpins U.S. primacy. If the dollar loses that status America’s hegemony literally will be unaffordable. In coming years the U.S. will be pressured to defend the dollar by preventing runaway inflation. This will require fiscal self-discipline through a combination of tax increases and big spending cuts. Meaningful cuts in federal spending mean deep reductions in defense expenditures because discretionary non-defense – domestic – spending accounts for only about 20% of annual federal outlays. Faced with these hard choices, Americans may contract hegemony fatigue. If so, the U.S. will be compelled to retrench strategically and the Pax Americana will end. The Pax Americana is already crumbling in slow motion. The current international order is based on the economic and security structures that the U.S. created after World War II. The entire fabric of world order that the United States established after 1945 – the Pax Americana – rested on the foundation of U.S. military and economic preponderance. The decline of American power means the end of U.S. dominance in world politics and the beginning of the transition to a new constellation of world power. Indeed, the Pax Americana is already is crumbling in slow motion.

#### Tons of things have to occur to check back a bio-attack—bioterror research alone can’t solve.

Chyba and Greniger 04 Co-Director of the Center of International Security and Cooperation, Greniger: MS in biology, CISAC honors thesis (Chistopher Chyba, Alex Greniger, Summer 2004, pp 142-162, http://iis-db.stanford.edu/pubs/20722/Chyba\_2004.pdf) DR. H

In addition to broad improvements in prevention, surveillance and response, specific defensive measures against the most likely threat scenarios are also necessary. There is a large array of viruses and bacteria that can cause disease in humans, animals and crops. Even greater are the number of scenarios, from the subtle to the apocalyptic, that analysts can spin about possible terrorist attacks. An effective defense requires setting priorities; these should include identifying the most likely near-term threats and implementing research, detection and response agendas designed to take these off the table in the near future.

#### Bioterror and nuclear threats are exaggerated—budget cut scares are hyperbolic.

Leanard Cole, January 18, 2012—Expert on bioterrorism and terror medicine, adjunct professor of political science at Rutgers University, Professor of Terrorism Issues in the Division of Global Affairs (Leonard Cole, January 18, 2012, “Bioterrorism: Still a Threat to the United States,” http://www.ctc.usma.edu/posts/bioterrorism-still-a-threat-to-the-united-states)

The threat of bioterrorism has been exaggerated and does not warrant expanded support. A 2011 assessment in Science magazine of the “biodefense boom” noted that critics questioned its justification, “especially because no new attacks have occurred.”[19] If the validity of a threat depends primarily on when it was last actualized, the threat of a nuclear attack would be deemed negligible. After all, the last (and only) use of a nuclear weapon occurred nearly 70 years ago when the United States dropped two atomic bombs on Japan to end World War II. Iran’s current quest for nuclear arms, and the West’s alarmed reaction, demonstrates the thinness of the “when-last-used” prescription. Yet even disregarding recency of occurrence, alleged exaggeration of the biothreat remains an issue. William Clark, a professor and chair emeritus of immunology at UCLA, has written that: “It is almost inconceivable that any terrorist organization we know of [could develop] a bioweapon capable of causing mass casualties on American soil.”[20] Others have stated, more cynically, that the threat of bioterrorism “has been systematically and deliberately exaggerated.”[21] The WMD Commission holds a contrary view. After interviewing more than 250 government officials and non-governmental experts, the commission issued a report in December 2008. Its chilling conclusion found that a weapon of mass destruction will probably be used in a terrorist attack within five years, and that weapon will likely be a biological agent.[22] Despite skepticism by some about the commission’s calculation, it nonetheless highlighted the particular concern afforded to the biological threat. The commission’s conclusion was influenced by the low cost of the 2001 anthrax attacks, the ease with which they were launched (via the mail), the fact that al-Qa`ida and other terrorist groups have sought to develop biological weapons, and the rapid advances in biotechnology that could be used to develop new and more deadly biological weapons. In disputing the commission’s judgments, a group of scientists at the Center for Arms Control and Non-Proliferation contended that the commission’s threat assessments were speculative and relied on unjustified assumptions.[23] Yet the tide of concern about bioterrorism remains high, as reflected in U.S. funding levels and statements of support by numerous government officials. Descriptions of possible bioterrorism scenarios are often hyperbolic.

### Bioterror Risk Low

#### RISK OF BIOTERROR LOW: TECH HURDLES, RISK OWN DEATHS, CULTURAL TABOOS, EASY ALTS

PARANCHI (RAND Analyst) ’01 [John, “Anthrax Attacks, Biological Terrorism and Preventive Responses,” Rand Testimony, Ct 186, http://www.rand.org/publications/CT/CT186/CT186.pdf nov.//DeLo-uwyo]

The use of disease and biological material as a weapon is not a new method of¶ warfare. What is surprising is how infrequently it is has been used. Biological agents¶ may appeal to the new terrorist groups because they affect people indiscriminately and¶ unnoticed, thereby sowing panic. A pattern is emerging that terrorists who perpetrate¶ mass and indiscriminate attacks do not claim responsibility.5 In contrast to the turgid¶ manifestos issued by terrorists in the 1960s, 1970s and 1980s, recent mass casualty¶ terrorists have not claimed responsibility until they were imprisoned. Biological agents¶ enable terrorists to preserve their anonymity because of their delayed impact and can be¶ confused with natural disease outbreaks. Instead of the immediate gratification of seeing¶ an explosion or the glory of claiming credit for disrupting society, the biological weapons¶ terrorist may derive satisfaction from seeing society’s panicked response to their actions.¶ If this is the case, this is a new motive for the mass casualty terrorist.

There are a number of countervailing disincentives for states and terrorists to use¶ biological weapons, which help explain why their use is so infrequent. The technical and¶ operational challenges biological weapons pose are considerable. Acquiring the material,¶ skills of production, knowledge of weaponization, and successfully delivering the¶ weapon, to the target is difficult. In cases where the populations of the terrorist¶ supporters and adversaries are mixed, biological weapons risk inadvertently hitting the¶ same people for whom terrorists claim to fight. Terrorists may also hesitate in using¶ biological weapons specifically because breaking the taboo on their use may evoke¶ considerable retaliation. The use of disease as a weapon is widely recognized in most¶ cultures as a means of killing that is beyond the bounds of a civilized society.¶ From a psychological perspective, terrorists may be drawn to explosives as¶ arsonists are drawn to fire. The immediate gratification of explosives and the thrill of the¶ blast may meet a psychological need of terrorists that the delayed effects of biological¶ weapons do not. Causing slow death of others may not offer the same psychic thrill¶ achieved by killing with firearms or explosives.¶ Perhaps the greatest alternative to using biological weapons is that terrorists can¶ inflict (and have inflicted) many more fatalities and casualties with conventional¶ explosives than with unconventional weapons. Biological weapons present technical and¶ operational challenges that determined killers may not have the patience to overcome or¶ they may simply concentrate their efforts on more readily available alternatives.¶ Pg 11-12

#### BIOTERRORISM UNLIKELY: DIFFICULT TO WEAPONIZE, UNPREDICTABLE

SIMON **(Frmr member, SIPRI Chemical and Biological Warfare Project)** ’02 [Jacqueline, “Implications of the Terror Attacks for the BWC,” INESAP INFORMATION Bulletin, March n 19 pp 4-7//delo-uwyo]

The threat posed by chemical and biological weapons has often been misrepresented. While manufacturing chemical agents or obtaining biological agents is not particularly difficult, it is not easy, and using these agents to cause mass casualty is extremely difficult. In order to cause mass casualty it is necessary to take into account the lethality of an agent, its concentration, environmental factors, and resistance of the population. Even more difficult is to combine all of these factors with an effective method of dispersal. All of the elements of this equation must be mastered in order to achieve significant results. That would require extensive resources and scientific knowledge inaccessible to most terrorists. An oft-cited example of the failure of a terrorist group to achieve success with its biological warfare projects is the Japanese cult Aum Shinrikyo, which, despite vast funds and experienced scientists, was unable to wage a successful biological attack. This example also illustrates the unpredictability of biological weapons which has made them unattractive to many militaries and terrorist organizations

#### RISK OF BIOTERROR LOW—BASED ON VULNERABILITY ASSESSMENTS, NOT ACTUAL THREATS—THEIR CLAIM HAVE LITTLE GROUNDING IN REALIY

SIMON **(Frmr member, SIPRI Chemical and Biological Warfare Project)** ’02 [Jacqueline, “Implications of the Terror Attacks for the BWC,” INESAP INFORMATION Bulletin, March n 19 pp 4-7//delo-uwyo]

The events of September 11 and the anthrax incidents that followed have led to a sea change in public perception and policy response with regard to biological weapons. The terrorist attacks against New York and Washington and the anthrax letters have become irrevocably linked in the public psyche. This linkage has led to the expansion of America's defensive goals and the marriage of two previously distinct security threats, terrorism and attack by nuclear, chemical or particularly biological weapon. The progeny of this marriage, 'bio-terrorism', has vaulted to the top of the list of threats to international security, within the United States most obviously, but in many other states as well. This focus on bio-terrorism as the scourge of the new millennium will have a serious impact on proliferation policies worldwide.¶ As the Cold War with its foundation of nuclear deterrence faded into the background of public consciousness, chemical and biological weapons had begun to move to the forefront and gained increasing prominence in policy circles and the media as the "greatest threat to international security". Nuclear weapons were not forgotten, but lumped in with chemical and biological weapons under the misnomer and catch phrase 'weapons of mass destruction'. While the likelihood of the use of chemical and biological weapons was viewed as increasing, their use on Western soil was still regarded by most analysts as a distant threat. Many of the assumptions behind this view have been shattered and reconstructed since the events of the autumn of 2001.¶ For persons living in North America (and many others worldwide) it undeniably 'feels' like the threat of attack by terrorists or weapons of mass casualty has increased. However, this is a feeling based in a newfound sense of vulnerability rather than an actual increase in the threat itself. Analysts, intelligence agencies, and policymakers have been aware of the threat posed by these weapons for many years and this threat has not increased exponentially since September 11. Attack by biological weapons causing mass casualty is largely regarded as a low-probability, high consequence event. In other words, if such an event did occur the results would be devastating, but the likelihood of occurrence is very small. Most analysis conducted on potential biological weapons attack has focussed on attack by a state actor whose motivations, if not capabilities, are generally known. In the case of a terrorist attack however, it is very difficult to gain any information about the motivations, capabilities and intent of the enemy. This has resulted in a situation where vulnerability assessments are widely substituted for threat assessments and policy is based on worst-case scenario projections with little grounding in reality.

## Warming

#### **Transportation only accounts for 33% of fuels and massive alt causes to the plan- includes more than just highways**

Bogo ‘9 (Jennifer Bogo, PopularMechanics.com “Report Sees Dire Future for Warming's Impact on U.S. Transport”, <http://www.popularmechanics.com/science/environment/4254048>, October 1, 2009, LEQ)

Transportation's contribution to global warming has been well articulated. It's responsible for 33 percent of United States emissions from fossil fuel combustion--more if you count the life-cycle emissions from extracting fuel and manufacturing vehicles. Now, for the first time, the government is taking an in-depth look at the flip scenario: how global warming is affecting transportation.

#### **And more things than the plan are key to solve**

Bogo ‘9 (Jennifer Bogo, PopularMechanics.com “Report Sees Dire Future for Warming's Impact on U.S. Transport”, <http://www.popularmechanics.com/science/environment/4254048>, October 1, 2009, LEQ)

In the near term, taking inventory of America's most vulnerable infrastructure will be key. By outfitting it with technology to monitor its condition, as well as shifts in regional climate, officials will be able to receive advanced warning of potential failures. The report emphasizes redundant communications and power systems for restoring transportation systems quickly in the event that they do go down. To adapt to new extremes, transportation providers should work more closely with weather forecasters and emergency planners, and respond to severe weather events in ways that are more routine and proactive than ad hoc. In other words, develop emergency response and evacuation plans before emergencies occur, and make sure they are communicated clearly to the people living in high-risk areas.

#### No warming and it’s not anthropogenic

Watson 9 (Steve, citing a report conducted by the Japan Society of Energy and Resources, the academic society representing scientists from the energy and resource fields, “Top Japanese Scientists: Warming Is Not Caused By Human Activity,” February 27th, <http://www.infowars.com/top-japanese-scientists-warming-is-not-caused-by-human-activity/>)

A major scientific report by leading Japanese academics concludes that global warming is not man-made and that the overall warming trend from the mid-part of the 20th Century onwards has now stopped. Unsurprisingly the report, which was released last month, has been completely ignored by the Western corporate media. The report was undertaken by Japan Society of Energy and Resources (JSER), the academic society representing scientists from the energy and resource fields. The JSER acts as a government advisory panel, much like the International Panel on Climate Change did for the UN. The JSER’s findings provide a stark contrast to the IPCC’s, however, with only one out of five top researchers agreeing with the claim that recent warming has been accelerated by man-made carbon emissions. The **government commissioned** report criticizes computer climate modeling and also says that the US ground temperature data set, used to back up the man-made warming claims, is too myopic. In the last month, no major Western media outlet has covered the report, which prompted British based sci-tech website The Register to commission a translation of the document. Section one highlights the fact that Global Warming has ceased, noting that since 2001, the increase in global temperatures has halted, despite a continuing increase in CO2 emissions. The report then states that the recent warming the planet has experienced is primarily a recovery from the so called "Little Ice Age" that occurred from around 1400 through to 1800, and is part of a natural cycle. The researchers also conclude that global warming and the halting of the temperature rise are related to solar activity, a notion previously dismissed by the IPCC. "The hypothesis that the majority of global warming can be ascribed to the Greenhouse Effect is mistaken." the report’s introduction states. Kanya Kusano, Program Director and Group Leader for the Earth Simulator at the Japan Agency for Marine-Earth Science & Technology (JAMSTEC) reiterates this point: "[The IPCC's] conclusion that from now on atmospheric temperatures are likely to show a continuous, monotonic increase, should be perceived as an unprovable hypothesis," Shunichi Akasofu, head of the International Arctic Research Center in Alaska, cites historical data to challenge the claim that very recent temperatures represent an anomaly: "We should be cautious, IPCC’s theory that atmospheric temperature has risen since 2000 in correspondence with CO2 is nothing but a hypothesis. " "Before anyone noticed, this hypothesis has been substituted for truth… The opinion that great disaster will really happen must be broken." Akasofu concludes. The key passages of the translated report can be found here. The conclusions within the report dovetail with those of hundreds of Western scientists, who have been derided and even compared with holocaust deniers for challenging the so called "consensus" on global warming. The total lack of exposure that this major report has received is another example of how skewed coverage of climate change is toward one set of hypotheses. This serves the agenda to deliberately whip up mass hysteria on behalf of governments who are all too eager to introduce draconian taxation and control measures that won’t do anything to combat any form of warming, whether you believe it to be natural or man-made.

#### Newest data proves the greenhouse effect is a hoax

IBT 11(International Business Times, Citing report from NASA’s Terra Satellite, “Global Warming a Hoax? NASA Reveals Earth Releasing Heat into Space,” 7/30, <http://sanfrancisco.ibtimes.com/articles/189649/20110730/global-warming-hoax-nasa-earth-releasing-heat-space.htm>)

With new data collected from a NASA's Terra satellite, the previous model may be proven as a hoax. Hypothesis based on the satellite's findings show that planet Earth actually releases heat into space, more than it retains it. The higher efficiency of releasing energy outside of Earth contradicts former forecasts of climate change. Dr. Roy Spencer, a team leader for NASA's Aqua satellite, studied a decade worth of satellite data regarding cloud surface temperatures. "The satellite observations suggest there is much more energy lost to space during and after warming than the climate models show...There is a huge discrepancy between the data and the forecasts that is especially big over the oceans," said Dr. Spencer. By cross examining data with other Climate Change models, he concluded that carbon dioxide is just a minor part in global warming. His studies have garnered media attention and that the data are going against the beliefs of global warming alarmists by disproving their theory.

#### Cooling now - outweighs emissions

NIPCC ’10(Nongovernmental International Panel on Climate Change, multi-national scientific coalition comprised of leading climate scientists, “Acknowledging Recent Natural Cooling,” http://www.nipccreport.org/articles/2010/jun/25jun2010a1.html)

In a paper entitled "A strong bout of natural cooling in 2008," which was published in *Geophysical Research Letters*, Perlwitz *et al*. (2009) recount some interesting facts about which many climate alarmists would rather the public remained unaware, including the fact that there was, in Perlwitz *et al*.'s words, "a precipitous drop in North American temperature in 2008, commingled with a decade-long fall in global mean temperatures." Perlwitz *et al*. begin their narrative by noting that there has been "a decade-long decline (1998-2007) in globally averaged temperatures from the record heat of 1998," citing Easterling and Wehner (2009). And in further describing this phenomenon, they say that U.S. temperatures in 2008 "not only declined from near-record warmth of prior years, but were in fact colder than the official 30-year reference climatology (-0.2°C versus the 1971-2000 mean) and further were the coldest since at least 1996." With respect to the geographical origin of this "natural cooling," as they describe it, the five researchers point to "a widespread coolness of the tropical-wide oceans and the northeastern Pacific," focusing on the Niño 4 region, where they report that "anomalies of about -1.1°C suggest a condition colder than any in the instrumental record since 1871." So, pushing the cause of the global and U.S. coolings that sparked their original interest back another link in the chain which -- in their estimation -- connects them with other more primary phenomena, they ask themselves what caused these *latter* anomalous and significant oceanic coolings? Perlwitz *et al*. first discount *volcanic eruptions*, because they say "there were no significant volcanic events in the last few years." Secondly, they write that *solar forcing* "is also unlikely," because its radiative magnitude is considered to be too weak to elicit such a response. And these two castaway causes thus leave them with "coupled ocean-atmosphere-land variability" as what they consider to be the "most likely" cause of the anomalous coolings. In regard to these three points, we agree with the first. With respect to Perlwitz *et al*.'s dismissal of solar forcing, however, we note that the jury is still out with respect to the interaction of the solar wind with the influx of cosmic rays to earth's atmosphere and their subsequent impact on cloud formation, which may yet prove to be substantial. And with respect to their final point, we note that the suite of real-world ocean-atmosphere-land interactions is highly complex and also not fully understood. Indeed, there may even be important phenomena operating within this realm of which the entire scientific community is ***ignorant***. And some of those phenomena may well be strong enough to ***totally compensate*** for anthropogenic-induced increases in greenhouse gas emissions, so that other natural phenomena end up dictating the ever-changing state of earth's climate, as could well be what has been happening over the last decade or more. In light of these considerations, therefore, as well as the substantial *strength* and *longevity* of the planet's current cooling phase, the path of wisdom would seem to us to be to wait and see what happens next, in the unfolding biogeophysical drama of earth's ever-changing climatic path to the future, before we undertake to attempt to *change* what we clearly do not fully *comprehend*.

#### **Your evidence is based on flawed studies - warming’s not a threat and not anthropogenic**

Leake 10 (Jonathan, Times Online, Citing John Christy of the UA Huntsville, a former author for the IPCC, “World may not be warming, say scientists,” 2-14, <http://www.timesonline.co.uk/tol/news/environment/article7026317.ece?print=yes&randnum=1269060067737>)

The United Nations climate panel faces a new challenge with scientists casting doubt on its claim that global temperatures are rising inexorably because of human pollution. In its last assessment the Intergovernmental Panel on Climate Change (IPCC) said the evidence that the world was warming was “unequivocal”. It warned that greenhouse gases had already heated the world by 0.7C and that there could be 5C-6C more warming by 2100, with devastating impacts on humanity and wildlife. However, new research, including work by British scientists, is casting doubt on such claims. Some even suggest the world may not be warming much at all. “The temperature records cannot be relied on as indicators of global change,” said John Christy, professor of atmospheric science at the University of Alabama in Huntsville, a former lead author on the IPCC. The doubts of Christy and a number of other researchers focus on the thousands of weather stations around the world, which have been used to collect temperature data over the past 150 years. These stations, they believe, have been seriously compromised by factors such as urbanisation, changes in land use and, in many cases, being moved from site to site. Christy has published research papers looking at these effects in three different regions: east Africa, and the American states of California and Alabama. “The story is the same for each one,” he said. “The popular data sets show a lot of warming but the apparent temperature rise was actually caused by local factors affecting the weather stations, such as land development.” The IPCC faces similar criticisms from Ross McKitrick, professor of economics at the University of Guelph, Canada, who was invited by the panel to review its last report. The experience turned him into a strong critic and he has since published a research paper questioning its methods. “We concluded, with overwhelming statistical significance, that the IPCC’s climate data are contaminated with surface effects from industrialisation and data quality problems. These add up to a large warming bias,” he said. Such warnings are supported by a study of US weather stations co-written by Anthony Watts, an American meteorologist and climate change sceptic. His study, which has not been peer reviewed, is illustrated with photographs of weather stations in locations where their readings are distorted by heat-generating equipment. Some are next to air- conditioning units or are on waste treatment plants. One of the most infamous shows a weather station next to a waste incinerator. Watts has also found examples overseas, such as the weather station at Rome airport, which catches the hot exhaust fumes emitted by taxiing jets. In Britain, a weather station at Manchester airport was built when the surrounding land was mainly fields but is now surrounded by heat-generating buildings. Terry Mills, professor of applied statistics and econometrics at Loughborough University, looked at the same data as the IPCC. He found that the warming trend it reported over the past 30 years or so was just as likely to be due to random fluctuations as to the impacts of greenhouse gases. Mills’s findings are to be published in Climatic Change, an environmental journal. “The earth has gone through warming spells like these at least twice before in the last 1,000 years,” he said.

#### **No extinction**

NIPCC 11. Nongovernmental International Panel on Climate Change. Surviving the unprecedented climate change of the IPCC. 8 March 2011. <http://www.nipccreport.org/articles/2011/mar/8mar2011a5.html>

In a paper published in *Systematics and Biodiversity*, Willis *et al*. (2010) consider the IPCC (2007) "predicted climatic changes for the next century" -- i.e., their contentions that "global temperatures will increase by 2-4°C and possibly beyond, sea levels will rise (~1 m ± 0.5 m), and atmospheric CO2will increase by up to 1000 ppm" -- noting that it is "widely suggested that the magnitude and rate of these changes will result in many plants and animals going extinct," citing studies that suggest that "within the next century, over 35% of some biota will have gone extinct (Thomas *et al*., 2004; Solomon *et al*., 2007) and there will be extensive die-back of the tropical rainforest due to climate change (e.g. Huntingford *et al*., 2008)." On the other hand, they indicate that some biologists and climatologists have pointed out that "many of the predicted increases in climate have happened before, in terms of both magnitude and rate of change (e.g. Royer, 2008; Zachos *et al*., 2008), and yet biotic communities have remained remarkably resilient (Mayle and Power, 2008) and in some cases thrived (Svenning and Condit, 2008)." But they report that those who mention these things are often "placed in the 'climate-change denier' category," although the purpose for pointing out these facts is simply to present "a sound scientific basis for understanding biotic responses to the magnitudes and rates of climate change predicted for the future through using the vast data resource that we can exploit in fossil records." Going on to do just that, Willis *et al*. focus on "intervals in time in the fossil record when atmospheric CO2 concentrations increased up to 1200 ppm, temperatures in mid- to high-latitudes increased by greater than 4°C within 60 years, and sea levels rose by up to 3 m higher than present," describing studies of past biotic responses that indicate "the scale and impact of the magnitude and rate of such climate changes on biodiversity." And what emerges from those studies, as they describe it, "is evidence for rapid community turnover, migrations, development of novel ecosystems and thresholds from one stable ecosystem state to another." And, most importantly in this regard, they report "there is very little evidence for broad-scale extinctions due to a warming world." In concluding, the Norwegian, Swedish and UK researchers say that "based on such evidence we urge some caution in assuming broad-scale extinctions of species will occur due solely to climate changes of the magnitude and rate predicted for the next century," reiterating that "the fossil record indicates remarkable biotic resilience to wide amplitude fluctuations in climate."

#### Flawed studies - warming’s not a threat and not anthropogenic

Leake 10 (Jonathan, Times Online, Citing John Christy of the UA Huntsville, a former author for the IPCC, “World may not be warming, say scientists,” 2-14, <http://www.timesonline.co.uk/tol/news/environment/article7026317.ece?print=yes&randnum=1269060067737>)

The United Nations climate panel faces a new challenge with scientists casting doubt on its claim that global temperatures are rising inexorably because of human pollution. In its last assessment the Intergovernmental Panel on Climate Change (IPCC) said the evidence that the world was warming was “unequivocal”. It warned that greenhouse gases had already heated the world by 0.7C and that there could be 5C-6C more warming by 2100, with devastating impacts on humanity and wildlife. However, new research, including work by British scientists, is casting doubt on such claims. Some even suggest the world may not be warming much at all. “The temperature records cannot be relied on as indicators of global change,” said John Christy, professor of atmospheric science at the University of Alabama in Huntsville, a former lead author on the IPCC. The doubts of Christy and a number of other researchers focus on the thousands of weather stations around the world, which have been used to collect temperature data over the past 150 years. These stations, they believe, have been seriously compromised by factors such as urbanisation, changes in land use and, in many cases, being moved from site to site. Christy has published research papers looking at these effects in three different regions: east Africa, and the American states of California and Alabama. “The story is the same for each one,” he said. “The popular data sets show a lot of warming but the apparent temperature rise was actually caused by local factors affecting the weather stations, such as land development.” The IPCC faces similar criticisms from Ross McKitrick, professor of economics at the University of Guelph, Canada, who was invited by the panel to review its last report. The experience turned him into a strong critic and he has since published a research paper questioning its methods. “We concluded, with overwhelming statistical significance, that the IPCC’s climate data are contaminated with surface effects from industrialisation and data quality problems. These add up to a large warming bias,” he said. Such warnings are supported by a study of US weather stations co-written by Anthony Watts, an American meteorologist and climate change sceptic. His study, which has not been peer reviewed, is illustrated with photographs of weather stations in locations where their readings are distorted by heat-generating equipment. Some are next to air- conditioning units or are on waste treatment plants. One of the most infamous shows a weather station next to a waste incinerator. Watts has also found examples overseas, such as the weather station at Rome airport, which catches the hot exhaust fumes emitted by taxiing jets. In Britain, a weather station at Manchester airport was built when the surrounding land was mainly fields but is now surrounded by heat-generating buildings. Terry Mills, professor of applied statistics and econometrics at Loughborough University, looked at the same data as the IPCC. He found that the warming trend it reported over the past 30 years or so was just as likely to be due to random fluctuations as to the impacts of greenhouse gases. Mills’s findings are to be published in Climatic Change, an environmental journal. “The earth has gone through warming spells like these at least twice before in the last 1,000 years,” he said.

## Economy

### NIB Not Key

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

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

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

#### Japan Proves NIB unsuccessful

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

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

### A2: Impact

#### Economic collapse doesn’t cause instability

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

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

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

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

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

#### No challengers to competitiveness dominance

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

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

## Nexgen

### 1NC Aviation

#### Any infrastructure bank investment into NextGen would fail because of FAA misuse and internal bureaucracy.

J. Nicholas Hoover, October 05, 2011. “Problems Plague FAA’s NextGen Air Traffic Control Upgrade.” Information Week Magazine website—J. Nicholas Hoover is a writer for Information Week for Security.

The Federal Aviation Administration continues to struggle with budgets, deadlines, and management of its multi-billion dollar upgrades to the nation's air traffic control systems, government officials and industry executives told Congress on Wednesday. The long-term, multi-stage NextGen effort, which has been underway for several years and isn't slated to be complete until approximately 2025, aims to improve American aviation by upgrading numerous Cold War-era flight systems. But the effort has long suffered problems. Within the last couple of years, the FAA has instituted a number of changes to improve NextGen's management, including working closely with an advisory group made up of users and other constituents, changing the NextGen program so that it directly reports to the FAA's deputy administrator, and centralized program management for the effort. However, ongoing problems continue to threaten the program's costs and timeline and have kept private industry in the dark about the program's benefits and schedule, the officials and executives told the House Transportation and Infrastructure Committee. As a result, according to Lee Moak, president of the Air Line Pilots Association, a group that represents the interests of 53,000 pilots, and Ed Bolen, president and CEO of the National Business Aviation Association, manufacturers are building and delivering future-proofed planes and carriers are putting new processes in place but can't take advantage of all their capabilities because of delays in or improper management of NextGen. For example, numerous carriers are ready to adopt procedures that they co-developed with the FAA to provide "smooth, fuel efficient, low emission descents that reduce [the need for] communications and enhance safety during good weather conditions" and others that help out in poor weather conditions, Bolen said. But the FAA doesn't even have plans or approval processes to permit planes to follow these procedures even as jet fuel costs continue to rise. In another case, the En Route Automatic Modernization (ERAM) system, a computer system to provide communications and generate display data for air traffic controllers, is about 5 years behind schedule and as much as $500 million over budget, according to a study by Mitre Corp. According to FAA Inspector General Calvin Scovel, early testing of ERAM revealed problems with safety management, and controllers had to rely on cumbersome workarounds to overcome those issues. That problem snowballed. "ERAM's problems are the direct result of poor program management," Scovel said. "There was over-optimism that ERAM could be deployed in a year, and FAA didn't begin to mitigate some risks until three years after problems began surfacing. This was a program that was hobbled out of the gate." Even with all those problems, and despite the significant program risks, the FAA still hasn't conducted an assessment of ERAM's dependencies or impacts on other program costs. At a higher level, Scovel noted, the FAA has yet to develop an integrated master schedule to help manage NextGen, meaning that "programs are left with no clear end state." The officials and executives pointed to a number of causes for the delays and cost overruns, including unstable requirements, poor program and contract management, the inability of the FAA to bring all constituents into the decision-making process, training, and a lack of communication. Now, added to that list might be the fiscal environment. Amidst all the turbulence, Congress is considering slashing spending at the Federal Aviation Administration between 5% and 10%, which could further delay implementation of some pieces of NextGen. "There's no question that reduced funding will cause delays, and that the delays will cost us more in the end in terms of lost benefits as well as increased costs of deployment," FAA deputy administrator Michael Huerta told legislators, adding that Congress should fund the FAA to the levels suggested by President Obama. "In the end, to be able to meet the timeline set out, the President's funding level is really what we need to get us there." The government has already spent nearly $3 billion on NextGen, and the effort will likely cost into the tens of billions of dollars.

#### NextGen increases vulnerability to cyber terrorism—that would kill the airline industry and make their impacts inevitable.

Paul Marks, September 12, 2011. “Air Traffic System Vulnerable to Cyber Attack.” New Scientist—magazine. Paul Marks is a writer for the magazine. Magazine Issue 2829. http://www.newscientist.com/article/mg21128295.600-air-traffic-system-vulnerable-to-cyber-attack.html

A next-generation global air traffic control system is vulnerable to malicious hacks that could cause catastrophe AN ALARM blares in the cockpit mid flight, warning the pilot of an imminent collision. The pilot checks his tracking display, sees an incoming aircraft and sends the plane into a dive. That only takes it into another crowded air lane, however, where it collides with a different plane. Investigators later discover that the pilot was running from a "ghost" - a phantom aircraft created by a hacker intent on wreaking havoc in the skies. It's a fictional scenario, but US air force analysts warn that it could be played out if hackers exploit security holes in an increasingly common air traffic control technology. At issue is a technology called Automatic Dependent Surveillance - Broadcast (ADS-B), which the International Civil Aviation Organisation certified for use in 2002. Gradually being deployed worldwide, ADS-B improves upon the radar-based systems that air traffic controllers and pilots rely on to find out the location and velocity of aircraft in their vicinity. Conventional ground-based radar systems are expensive to run, become less accurate at determining position the further away a plane is, and are slow to calculate an aircraft's speed. Perhaps worst of all, their limited range means they cannot track planes over the ocean. So instead of bouncing radar signals off aircraft, ADS-B uses GPS signals to continuously broadcast a plane's identity, ground position, altitude and velocity to networks of ground stations and other nearby aircraft. This way, everyone knows where everyone else is. ADS-B transmits information in unencrypted 112-bit bursts - a measure intended to make the system simple and cheap to implement. It's this that researchers from the US air force's Institute of Technology at Wright-Patterson Air Force Base in Ohio are unhappy with. Donald McCallie, Jonathan Butts and Robert Mills warn that the unencrypted signals could be intercepted and spoofed by hackers, or simply jammed. The team says the vulnerabilities it has identified "could have disastrous consequences including confusion, aircraft groundings, even plane crashes if exploited by adversaries" (International Journal of Critical Infrastructure Protection, DOI: 10.1016/j.ijcip.2011.06.001). One attack they label "low difficulty" is a "ground station flood denial": jamming an ADS-B ground receiver mast (like a cellphone mast) by placing a low-power radio transmitter near it. That effectively blinds controllers to where planes are. Tougher to carry out is a "ghost aircraft injection". This attack mimics the format of ADS-B data packets to create fake aircraft signals, either on the ground controller's screen or on the pilot's tracking display. "We're aware of the research undertaken by the US air force and have been working for some time with UK and European authorities and agencies to understand and mitigate the issues," says Brendan Kelly, policy chief at National Air Traffic Services in the UK. But the Federal Aviation Administration, which wants ADS-B fully operational across the US by 2020, says tests it completed in 2009 show ADS-B has no risks over and above those presented by existing radar systems. "The FAA has a thorough risk management process for all possible risks to ADS-B, including intentional jamming," says a spokesman. McCallie's team is not convinced, and has asked to see the FAA's test data - which the agency has so far refused to make public, citing security concerns.

#### NextGen is solely dependent on satellites—that causes mechanical problems, vulnerability to solar flares, and increases Chinese weaponization.

Praxis Foundation, June 4, 2011. “NextGen ATC and GPS: Questions about Investment, Exploitation, Obligation, Liability and Standing.” Praxis Foundation—A foundation made up of past and current air traffic controls on the future of the Air Traffic Control Profession.

The entire infrastructure basis for NextGen is complete reliance on the United States’ NavStar global navigation satellite system (GNSS), our network of GPS satellites. Russia is developing GLONASS, China is developing Compass, and Europe is developing Galileo. These are competitive, non-complementary systems. Operationally, the NextGen ATC system is completely reliant on GPS. No GPS, no NextGen. Financially, the only way they can cost-justify NextGen is to stop maintaining the buildings and roofs and the power supplies at the thousands of legacy ground stations. NextGen puts all our eggs in the GPS basket.

There are concerns with a system completely dependent on GPS satellites. Satellites fail, they’re hard to troubleshoot and replace, sunspots affect them, and the Chinese seem to be able to shoot them down. And there’s another thing: the radio signal from the satellite in orbit (20k miles up) to an airplane’s GPS receiver is pretty weak. That radio signal is not nearly as strong as a signal sent from a (legacy, ground-based) VOR. It becomes very important that nothing interfere with the faint GPS radio signal.

#### Alt Causality to US economic competitiveness:

#### First, healthcare costs.

Toni Johnson, March 26, 2012. “Healthcare Costs and U.S. Competitiveness.” Council on Foreign Relations- The Council on Foreign Relations (CFR) is an independent, nonpartisan membership organization, think tank, and publisher. Toni Johnson is a Senior Editor and Senior Staff Writer. She has been a reporter for Congressional Quarterly and Washington’s Federal Paper. She has a masters in international affairs from American University. She has been part of International Reporting Project at John Hopkins University.

The United States spends an estimated $2 trillion annually on healthcare expenses, more than any other industrialized country. According to data from the Organization for Economic Cooperation and Development (OECD), the United States spends two-and-a-half times more than the OECD average, and yet ranks with Turkey and Mexico as the only OECD countries without universal health coverage. Some analysts say an increasing number of U.S. businesses are less competitive globally because of ballooning healthcare costs. U.S. economic woes have heightened the burden of healthcare costs both on individuals and businesses. The U.S. healthcare reform law signed by President Barack Obama on March 23, 2010 includes measures aimed at making health care less expensive and more accessible, including upgrades to government-run Medicare and Medicaid. Still, reforming health care has proved politically divisive, especially over the option to expand social medicine, as well as new mandates on employers and individuals. The Supreme Court will hear arguments starting March 26, 2012 on whether the law is unconstitutional, amid calls by the law's detractors to repeal it entirely. Whether these reforms will reduce the healthcare cost burden on U.S. industry remains under debate. Competitive Disadvantage The United States spent more than 17 percent of its GDP on health care, higher than any other developed nation. The nonpartisan Congressional Budget Office (CBO) estimated in 2008 that number would rise to 25 percent by 2025 without changes to federal law (PDF). Employer-funded coverage is the structural mainstay of the U.S. health insurance system. A November 2008 Kaiser Foundation report says access to employer-sponsored health insurance has been on the decline (PDF) among low-income workers, and health premiums for workers have risen 114 percent in the last decade (PDF). Small businesses are less likely than large employers to be able to provide health insurance as a benefit. At 12 percent, health care is the most expensive benefit paid by U.S. employers, according to the U.S. Chamber of Commerce. Some economists say these ballooning dollar figures place a heavy burden on companies doing business in the United States and can put them at a substantial competitive disadvantage in the international marketplace. For large multinational corporations, footing healthcare costs presents an enormous expense. General Motors, for instance, covers more than 1.1 million employees and former employees, and the company says it spends roughly $5 billion on healthcare expenses annually. GM says healthcare costs add between $1,500 and $2,000 to the sticker price of every automobile it makes. Health benefits for unionized auto workers became a central issue derailing the 2008 congressional push to provide a financial bailout to GM and its ailing Detroit rival, Chrysler.

#### Second, lack of proficiency in STEM fields tanks competitiveness

Department of Labor, April 2007. “The STEM Workforce Challenge: The Role of the Public Workforce System in a National Solution for a Competitive Science, Technology, Engineering, and Mathematics (STEM) Workforce.” The Untied States Department of Labor Employment and Training Administration by Jobs for the Future. http://www.doleta.gov/youth\_services/pdf/STEM\_Report\_4%2007.pdf

There is broad consensus that the long-term key to continued U.S. competitiveness in an increas- ingly global economic environment is the adequacy of supply and the quality of the workforce in the STEM fields. Scientific innovation has produced roughly half of all U.S. economic growth in the last 50 years (National Science Foundation 2004). The STEM fields and those who work in them are critical engines of innovation and growth: according to one recent estimate, while only about five percent of the U.S. workforce is employed in STEM fields, the STEM workforce accounts for more than fifty percent of the nation’s sustained economic growth (Babco 2004). Opinion leaders and the public broadly agree that education in math and science is critical to the nation’s future success. According to a recent Educational Testing Service survey, 61 percent of opinion leaders and 40 percent of the general public identify math, science and technology skills as the most important ingredients in the nation’s strategy to compete in the global economy (Zinth 2006). This engine of growth is increasingly precarious in today’s global economy. The Business Round- table (2005) warns that, if current trends continue, more than 90 percent of all scientists and engineers in the world will live in Asia. The Business-Higher Education Forum (2005) concludes: “Increased global competition, lackluster performance in mathematics and science education, and a lack of national focus on renewing its science and technology infrastructure have created a new economic and technological vulnerability as serious as any military or terrorist threat.” The seminal National Academy of Sciences study, Rising Above the Gathering Storm (2006), argues that, absent a serious and rapid response, the U.S. will lose quality jobs to other nations, lowering our standard of living, reducing tax revenues, and weakening the domestic market for goods and services. Once this cycle accelerates, it will be difficult to regain lost preeminence in technology- driven innovation and its economic benefits. The STEM education and workforce challenge is multi-faceted. • Many students never make it into the STEM pipeline, because of inadequate preparation in math and science or poor teacher quality in their K-12 systems. Of the 2005 high school graduates who took the ACT test, for example, only 41 percent achieved the College Readiness Benchmark in mathematics and 26 percent achieved that benchmark in science (ACT 2006). • Many who are academically qualified for postsecondary studies in science and math fields at both the two- and four-year levels, don’t pursue those programs: They might be dissuaded by disappoint- ing postsecondary experiences, high tuition or demanding curricula and courses of study, relatively low salaries in STEM fields compared to other professions, or the lack of role models with whom they can identify (American Association of State Colleges and Universities 2005). Whatever the rea- sons, trends in undergraduate and graduate enrollment in the biological, engineering, and physical sciences are troubling, as modest growth in STEM field degree graduates is being eclipsed by more dramatic growth in graduates from non-STEM programs (U.S. Govern- ment Accountability Office 2005). • The low engagement with STEM-related learning is particularly acute among minority, female, and lower-income students, who comprise a growing proportion of the total college-going public. In the 2000 National Assessment of Educational Progress for twelfth grade students, about three out of four white and Asian students scored at or above basic level (which is far below proficient) on the math assessment, while fewer than half of Hispanics and under a third of African American students attained that level (National Science Foundation 2005).

#### **Finally, Economic collapse does not cause war—their historical arguments are wrong**

**Ferguson 2006** (Niall, MA, D.Phil., is the Laurence A. Tisch Professor of History at Harvard University. He is a resident faculty member of the Minda de Gunzburg Center for European Studies. He is also a Senior Reseach Fellow of Jesus College, Oxford University, and a Senior Fellow of the Hoover Institution, Stanford University, Foreign Affairs, Sept/Oct)

Nor can economic crises explain the bloodshed. What may be the most familiar causal chain in modern historiography links the Great Depression to the rise of fascism and the outbreak of World War II. But that simple story leaves too much out. Nazi Germany started the war in Europe only after its economy had recovered. Not all the countries affected by the Great Depression were taken over by fascist regimes, nor did all such regimes start wars of aggression. In fact, no general relationship between economics and conflict is discernible for the century as a whole. Some wars came after periods of growth, others were the causes rather than the consequences of economic catastrophe, and some severe economic crises were not followed by wars.

### Ext 1—FAA Issues Plague NextGen

#### FAA bureaucratic issues are preventing NextGen, not investment.

Aaron Karp December 24, 2010. “DOT IG: FAA faces Serious NextGen Challenges” Air Transport World, Aaron Karp is an associate writer and researcher. http://atwonline.com/international-aviation-regulation/news/dot-ig-faa-faces-serious-nextgen-challenges-1223

US Dept. of Transportation Inspector General Calvin Scovel left a lump of coal in FAA's Christmas stocking, asserting this week in a letter to Congress that the agency "faces several organizational, policy, logistical and training challenges" in implementing the NextGen satellite-based ATC system that tops FAA's agenda. In particular, he noted that implementation of Lockheed Martin's En Route Automation Modernization system, designed to replace the En Route Host computer system that manages air traffic in US airspace, "has experienced software problems and delays at key sites." FAA was scheduled to deploy ERAM to all en route facilities by the end of this year at a cost of $2.1 billion. "However, due to software problems at its initial operating site [Salt Lake City], ERAM is experiencing cost increases and schedule slips that could impact other transformational NextGen programs," the DOT IG stated. "Delays with ERAM will have a cascading effect on other fundamental NextGen programs now and well into the future." Scovel said examples of ERAM problems include "interface issues between the key sites and other air traffic facilities, radar processing failures, errors that tag flight data to the wrong aircraft, and hand-off problems between controllers." He added that a DOT IG review and a study on ERAM conducted by Mitre Corp. "suggest it will take between 3 to 6 years and as much as $500 million more to complete the [implementation] effort. A cost escalation of this magnitude will affect FAA's capital budget and could force the agency to reallocate funds from other modernization projects to pay for ERAM." In addition, he predicted that "delays in implementing ERAM will force FAA to sustain aging equipment longer than planned and retrain controllers so they are familiar with both the legacy and ERAM systems." But ERAM is not FAA's only problem regarding NextGen, according to Scovel. He noted that in order to successfully implement the high-tech ATC system, "FAA will have to effectively work across diverse agency lines of business—including its Aircraft Certification Service, Flight Standards Service and Air Traffic Organization—which it has not done effectively in the past. For example … organizational barriers and fragmented efforts [have] hindered FAA's process to approve new flight procedures." It also must conduct updated safety assessments "for new, complex runway configurations—such as closely spaced parallel runways and converging or intersecting runways—at several busy airports," the IG pointed out. "While such assessments are needed, they could take up to 4 years to complete." Scovel added that "FAA is challenged to develop effective training programs on new NextGen systems and procedures. Our work has shown that FAA's training often consists of briefings rather than comprehensive courses on RNAV/RNP. As FAA begins developing more advanced airspace routes in metropolitan areas, it will face difficulties with providing extensive training for controllers—many of whom are recent hires assigned to complex facilities, such as New York and Chicago."

### Ext 2—NextGen Cyber-Attack

#### NextGen increases risk of vulnerabilities due to lack of testing.

GAO, February 2012. “Air Traffic Control Modernization: Management Challenges Associated with Program Costs and Schedules Could Hinder NextGen Implementation” Government Accountability Office report to Congressional Committees.

For the four programs GAO selected to analyze in depth, FAA is not consistently following the characteristics of high-quality cost estimates and scheduling best practices that GAO previously identified. Regarding cost estimates, GAO found that although all four of the programs generally provided well documented and comprehensive estimates, which are two of the four characteristics, no program fully met the two other characteristics. Specifically, each program estimate was not credible because each lacked an independent cost estimate, which provides a check against FAA’s estimate and three programs lacked risk or uncertainty analysis. The estimates also lacked accuracy because they were not updated regularly or based on comparable programs. Regarding scheduling practices, most programs did not substantially or fully meet the majority of the 9 best practices GAO previously identified including developing a fully integrated master schedule of all program activities and performing a schedule risk analysis. For example, without a schedule risk analysis, FAA is unable to predict, with any degree of confidence, if the estimated completion dates are realistic. FAA is implementing new processes and organizational changes to better manage acquisitions. However, by not consistently following the characteristics of high- quality cost estimate and scheduling best practices, FAA cannot provide reasonable assurance to Congress and other stakeholders that NextGen and other ATC programs will avoid additional cost increases or schedule delays… A risk analysis of the schedule’s vulnerability to slippages in the completion of activities has not been performed. Officials stated that a schedule risk analysis was not conducted because it is not a contractual deliverable. However, to address schedule risk with software development, the contractor performed cross-check and risk analyses on estimated lines of code using industry standard software development estimating tools. In addition, the officials stated they perform what-if analyses and discuss risks during their monthly earned value management analysis reviews. However, a comprehensive schedule risk analysis is an essential tool for decision makers. A schedule risk analysis can be used to determine a level of confidence in meeting the completion date or whether proper reserves have been incorporated into the schedule. A schedule risk analysis will calculate schedule reserve, which can be set aside for those activities identified as high risk. Without this reserve, the program faces the risk of delays to the scheduled completion date if any delays occur on critical path activities.

### 2NC/1NR Terrorism Terminal Impact [MUST READ]

#### 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."

### Ext 3—NextGen Satellites vulnerable—China

#### NextGen results in Chinese space proliferation.

Vannevar, March 3, 2012. “NextGen ATC Vs. China” Vannevar is a reporter on aviation issues and is a blogger and these issues as well, has been since 2003, from his website.

Here's the script: a non-state, religious-based network that's upset because we're occupying their 'stan places electronic transmitters in ten US metroplexes. The transmitters are innocuous; they look like laptop power supplies. They're programmed to turn on and off in a consistent, intermittent pattern during the day; each city's network will go active two days a month. Monday it's Newark; Tuesday it's Dallas; Wednesday is LosAngeles; Thursday is Chicago; Friday is Atlanta. Week two is Philadelphia, Boston, San Francisco, Houston, Seattle. Get the flick? They plug these devices in on the first of the month and walk away; they're in storage units, rental houses, etc. They've just shut down the domestic GPS aviation system, because the uncertainty is unacceptable. To be fair, radio-based air navigation has always been subject to intentional, adversarial interference (MIJI). It's nothing new. The difference is that existing systems can be overcome by high-powered transmitters and those are relatively easy to find and deal with. The faint GPS signals can be thwarted by a few low-power transmitters that are very hard to find when deployed as a noisy network. The early concern about switching to NextGen is: China can shoot down satellites, and NextGen requires satellites. The asymmetric concern about NextGen is: a very low cost, hard to track, easily deployable grid of low-powered transmitters will render GPS unusable to aviation, and NextGen requires GPS.

### Ext 4—Competitiveness Alt Causality

#### Healthcare and corporate tax reform is destroying economic competitiveness.

Wall Street Journal, June 17, 2009, “Health Reform and Competitiveness.” Wall Street Journal Review and Outlook. http://online.wsj.com/article/SB124520327436821723.html

Democrats have spent years arguing that corporate tax rates don't matter to U.S. competitiveness. But all of a sudden one of their favorite arguments for government-run health care has become . . . U.S. corporate competitiveness. Political conversions on this scale could use a little scrutiny. "Businesses now recognize that if we don't get a handle on this stuff then they are going to continue to be operating at a competitive disadvantage with other countries," President Obama recently remarked. "And so they anxiously seek serious reform." Sure enough, many business leaders who should know better have picked up the White House theme. "You won't fundamentally solve the problems in business until you solve the problem of spiraling health-care costs, which is driving everybody crazy," said Google CEO Eric Schmidt the other day. Messrs. Obama and Schmidt need to brush up on their economics. Employers may write the checks to the insurance companies, but workers still pay for the coverage they get from those employers. The total cost of an employee is what matters to businesses, and fringe benefits are as much a part of compensation as cash wages. When health costs rise, firms don't become less competitive, as if insurance were lopped out of profits. Instead, nonhealth compensation drops. Or wages rise more slowly than they otherwise would. A recent study from none other than the White House Council of Economic Advisers notes exactly this point: If medical spending continues to accelerate, it expects take-home pay to stagnate. According to the New York Times, White House economic aide Larry Summers pressured CEA chairman Christine Romer to make the competitiveness argument, "adding that it was among the political advisers' favorite 'talking points.'" Ms. Romer pointedly retorted, "I'm not going to put schlocky arguments in there." How the schlock gets into Mr. Obama's speeches is a different question. It's certainly true that the U.S. employer-based insurance system can dampen entrepreneurial spirits. There's the "job lock" phenomenon, in which employees fear leaving a less productive job because they're afraid to lose their health benefits. Another problem is that insurance costs more for small groups than the large risk pools that big corporations assemble, meaning that it's harder to form new businesses that can offer policies. But all this is really an argument for developing the individual health insurance market, where policies would follow workers, not jobs. As for the competitiveness line, it's nonsense for most companies. The exceptions are heavily unionized businesses like auto makers that have locked themselves in to gold-plated coverage, especially for retirees. They have a harder time adjusting health costs and wages. Other companies might get a bit more running room in the short run if government assumed all health costs a la the single-payer systems of Western Europe. But over time the market would clear -- compensation being determined by the demand for and supply of labor -- and wages would rise. Or they might not rise at all if health-care costs are merely replaced by the tax increases necessary to finance Mr. Obama's new multi-trillion-dollar entitlement. This is where the real competitiveness argument is precisely the opposite of the one pitched by Messrs. Obama and Schmidt. Consider the European welfare states, where costly entitlements and regulations make it extremely expensive to hire new workers. The nearby table lays out the tax wedge, the share of labor costs that never reaches employees but instead goes straight to government. In Germany, France and Italy, the tax wedge hovers around 50%, in part to pay for state-provided health care. By contrast, the U.S. tax wedge was around 30% in 2008, according to the OECD. In other words, the costs of providing insurance would merely be converted into a larger wedge, which would itself eat into compensation. This is why Europe has tended to have higher unemployment and slower economic growth over the past 30 years. If Democrats really want to increase U.S. competitiveness, they could look at the corporate income tax, which is the second highest in the industrialized world and a major impediment to U.S. job creation when global capital is so fluid. Or drop their proposals to raise personal income-tax rates, which affect thousands of small- and medium-size businesses that have fled the corporate tax regime as limited liability companies or Subchapter S corporations. Or cut capital gains rates, which deter risk taking and investment. Or rethink their plans to rig the rules in favor of organized labor by doing away with secret ballots in union elections.

### Econ Collapse ≠ War

#### 93 economic downturns since World War Two disprove the link between economy and war

**Miller 2000** (Morris, Adjunct Professor of Administration at the University of Ottawa, Interdisciplinary Science Reviews, Vol 24 No 4)

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study undertaken by Minxin Pei and Ariel Adesnik of the Carnegie endowment for International Peace, there would not appear to be any merit in this hypothesis. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that: Much of the conventional wisdom about the political impact of economic crises may be wrong…The severity of economic crisis – as measured in terms of inflation and negative growth – bore no relationship to the collapse of regimes…(or, in democratic states, rarely) to an outbreak of violence…In the cases of dictatorships and semi-democracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence to abort another).

### A2: Mead

#### Extend the Ferguson 4 and the Miller 2k evidence both of us indicate that historical examples and empirics prove that economic collapse and war have no correlation—Miller specifically indicates 92 economic collapses since the second world war, none of which has lead to the level of conflict they say.

#### And prefer our evidence—it cites statistics and historical examples, whereas Mead just thinks off the top of his head.

#### And our authors have more qualifications. Ferguson has a PhD in economics and Miller is a professor of economics at the University of Iowa. Mead isn’t qualified—his BA is in English literature and has been writing economy cards for years—just because he’s a member of an organization doesn’t justify his knowledge.

## Roads

#### Bank tradesoff with current highway and transit programs

Ronald Utt, Ph.D., is the Morgan Senior Research Fellow in Economic Policy at the Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank,” October 20, 2011

http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank

Moreover, those banks that would also make grants would lose money on every grant made, effectively losing both interest and principal the minute the grant is made. This has led one critic to observe that “institutions that give away money without requiring repayment are properly called ‘foundations’ not ‘banks.’”[1] Senator James Inhofe, ranking member on the Senate’s Environment and Public Works Committee, likewise noted that:

Banks don’t give out grants; they give out loans. There is also currently a mechanism for giving out federal transportation grants—it is called the highway bill. I don’t believe an infrastructure bank will increase total transportation investment—it will only take money away from what would otherwise go through the existing highway and transit programs.[2]

Senator Inhofe makes a very good point by wondering about what the value added would be of creating another federal transportation program (independent of the current one under some proposals) when you already have one that has been up and running for more than half a century and, for the most part, has served the nation well. More specific to some of the infrastructure bank proposals is the emphasis on loans and loan guarantees as opposed to grants, suggesting that the bank will somehow be paid back—a notion about which, as we have seen, we have reason to be skeptical.

#### Obama’s bank would be seeded by highway funds

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.

## Inland Waterways

### Inland Waterways

#### Economic decline does not cause war-prefer this thorough study

Miller, 2k (Morris, economist, adjunct professor in the University of Ottawa’s Faculty of Administration, consultant on international development issues, former Executive Director and Senior Economist at the World Bank, Winter, Interdisciplinary Science Reviews, Vol. 25, Iss. 4, “Poverty as a cause of wars?” p. Proquest)

The question may be reformulated. Do wars spring from a popular reaction to a sudden economic crisis that exacerbates poverty and growing disparities in wealth and incomes? Perhaps one could argue, as some scholars do, that it is some dramatic event or sequence of such events leading to the exacerbation of poverty that, in turn, leads to this deplorable denouement. This exogenous factor might act as a catalyst for a violent reaction on the part of the people or on the part of the political leadership who would then possibly be tempted to seek a diversion by finding or, if need be, fabricating an enemy and setting in train the process leading to war. According to a study undertaken by Minxin Pei and Ariel Adesnik of the Carnegie Endowment for International Peace, there would not appear to be any merit in this hypothesis. After studying ninety-three episodes of economic crisis in twenty-two countries in Latin America and Asia in the years since the Second World War they concluded that:19 Much of the conventional wisdom about the political impact of economic crises may be wrong ... The severity of economic crisis - as measured in terms of inflation and negative growth - bore no relationship to the collapse of regimes ... (or, in democratic states, rarely) to an outbreak of violence ... In the cases of dictatorships and semidemocracies, the ruling elites responded to crises by increasing repression (thereby using one form of violence to abort another).

### CP

#### CP Text: The United States Federal Government should enact and fully fund the Waterways are Vital for the Economy, Energy, Efficiency, and Environment Bill.

#### The counterplan has the capacity and can solve better—it represents the collaborative efforts of all relevant parties and provides a cost-efficient mechanism to ensure that projects are delivered on time and on budget

ICGA March 2012 (Illinois Corn Growers Association) “GOVERNMENT AND INDUSTRY CAN PARTNER TO FIX OUR BROKEN INLAND WATERWAY TRANSPORTATION SYSTEM”

http://www.ilcorn.org/uploads/useruploads/files/locks\_&\_dams/waterways\_3-2012.pdf

THE PROBLEM: Corn growers have been advocating for improvements to our inland waterway transportation system for more than 15 years. During this time, we have watched our friends in South America continue to make gradual improvements to their waterway infrastructure. The doubling in size of Panama Canal is on schedule to be completed by 2014. This is at least six years before the estimated start of the upper Mississippi and Illinois River projects under optimum funding scenarios. The passage of WRDA 2007 appeared to pave the way for construction to begin and keep pace with the rest of the world. However, because the industry-supported Inland Waterways Trust Fund was depleted and given that the U.S. Army Corps of Engineers’ project delivery system is not performing effectively, there is now a backlog of authorized projects. This backlog has resulted in increased timelines for project completion, tremendous cost overruns due to inflation and other factors, while denying benefits to public safety, the environment and the economy. THE SOLUTION: The Capitol Development Plan, now represented as “WAVE-4: Waterways are Vital for the Economy, Energy, Efficiency, and Environment” to be introduced by Congressman Ed Whitfield (Kentucky) represents the collaborative efforts of Inland Waterway Users Board members, Corps officials, agriculture and other stakeholders to address the efficiency of the Corps project delivery system and the need for a more stable funding stream.

The Plan …

• prioritizes navigation projects across entire Inland Navigation System.

• improves the Corps’ project management and processes to deliver projects on time and on

budget.

• preserves 50% industry / 50% Federal cost-sharing formula for new lock construction and

major rehabilitation lock projects over $100 million.

• provides that dam construction and smaller lock rehabilitation projects be 100% Federally

funded.

• imposes a cost-share cap on new lock construction projects.

• imposes a 30-45% increase (between 6 and 9 cents/gallon) in the existing fuel tax of 20

cents/gallon.

• implements a number of project delivery process improvements.

## Ports

#### Status quo solves—ports are already being expanded

Spivak 11 – senior research analyst at the HNTB Corporation, a transportation design and engineering firm (Jeffrey, "The Battle of the Ports", May/June, American Planning Association, aapa.files.cms-plus.com/Battle%20of%20the%20Ports%20-%20Planning%20mag%20-%20May\_June%202011.pdf)

Eighteen ports along the East and Gulf coasts are already deepening their channels or pursuing plans

to do so, according to the U.S. Army Corps of Engineers. Numerous ports are also building or

planning new terminals and wharfs, and some are adding highway connections to interstates and

installing new overhead cranes that are longer than a football field.

In New Jersey, for instance, the New York-New Jersey port authority is dredging its channel to 50

feet, and it recently approved raising the Bayonne Bridge 65 feet rather than demolish and rebuild

the structure. In Georgia, the Port of Savannah is midway through an eight-year, $500 million

expansion that will nearly double its container capacity, and it is pushing ahead with a dredging

project that will deepen its channel from 42 feet to 48 feet. In South Carolina, the Port of Charleston

is building a $525 million container terminal on a former U.S. Navy base that, when completed in

2016, will increase the port's handling capacity by almost half. And as part of a $600 million upgrade

plan, Alabama's Port of Mobile has opened a $300 million container terminal and completed a turning

basin enlargement for Post-Panamax ships.

Then there's the $2 billion in new projects planned for the port of Wilmington, North Carolina,

according to a Southern Legislative Conference survey of ports. "The expansion of the Panama Canal

is the tool to help us build on our port," says Stephanie Ayers, director of planning and development

for the North Carolina State Ports Authority.

#### Seaports already have ample capacity, and any issues holding our trade and economic competitiveness back can only be resolved in Congress

Lutes, 2010 – Deputy Managing Director, Seaport Division, Port of Seattle, Washington (Phil, “Hearing on ‘Doubling U.S. exports: Are U.S. Seaports Ready for the Challenge?’” Subcommittee on International Trade, Customs, and Global Competitiveness, Senate Committee on Finance, April 29, 2010, [http://www.finance.senate.gov/imo/media/doc/042910pltest.pdf)](http://www.finance.senate.gov/imo/media/doc/042910pltest.pdf)//MM)

ARE SEAPORTS READY FOR THE CHALLENGE?: Good afternoon Chairman Wyden, distinguished members of the Committee. I’m Phil Lutes, Deputy Managing Director of the Port of Seattle’s Seaport Division. Thank you for the privilege of being here with you today. In reflecting on the topic question for this hearing, “Doubling U.S. Exports: Are U.S. Seaports Ready for the Challenge?” the short answer for seaports is, yes. Is the overall supply chain ready? No. Limiting factors in the larger supply chain inhibit U.S. exports reaching overseas markets, but right now, the biggest obstacles aren’t the seaports themselves. Even with an economic rebound, U.S. ports in general, and West Coast container ports in particular, have ample capacity for both imports and exports. As U.S. Gulf and East coast ports complete terminal expansions and Canada and Mexico complete their expansion plans, port capacity for exports will be more than adequate. The real issues are enhancing efficient infrastructure throughout our trade corridors, dealing with the current equipment shortage, general promotion of our products abroad and antiquated tax policies that discriminate against certain ports and cargoes. Seaports are fighting to stay afloat financially in this terrible economy and we continually strive to invest in our assets and improve our operating efficiencies, but our greatest challenges lie beyond the seaport gates. NATIONAL GOODS MOVEMENT STRATEGY IS KEY: 2 I wholeheartedly agree with the hearing’s general premise that our nation’s transportation infrastructure is crucial to increasing exports and providing in general for a competitive US economy. For my port, these projects increase the speed of our discretionary cargo to the Midwest and all fall outside the terminal gates. Some are one to twenty miles from our seaport while other key improvements are much further along the Northern Corridor – such as the CREATE project in Chicago. Given the scarcity of resources, a key point is that freight projects have tangible benefits for our local communities and environment. For the Port of Seattle, many of our freight projects reduce emissions, fuel consumption and congestion, while also promoting transit, bike lanes and pedestrian safety. Once complete, they improve our operating efficiency by moving goods faster while simultaneously making our community more livable. Goods movement needs greater federal leadership and a truly competitive, efficient national transportation system requires coordination that can only be achieved at the federal level. Bottlenecks in the supply chain can be found all over the country, but the cost of prioritizing and fixing them is often beyond the means of the states, counties and cities in which the projects are located. Furthermore, building a railroad overpass might be more important to an exporter in a faraway state than it is to the local people who must approve taxing themselves to pay for that overpass.

## Terror

### Terror Hyped—General

#### Hyping threat from al Qaeda prolongs its survival

Prof. Audrey Kurth Cronin, PhD, 2010, professor of strategy at the National War College, Terrorizing Ourselves, Cato Institute, "Defeating al Qaeda” http://books.google.com/books?id=HIsLQgAACAAJ

The al Qaeda movement is most likely either to implode or to transition to another form of violence. Which path it takes depends at least in part on what the United States and U.S. allies do. The al Qaeda movement can still do serious damage, but treating it as a new, monolithic threat like the Communist menace is profoundly counterproductive and makes it seem stronger and more united than it is. The most effective way to nudge it towards implosion is to confound the classic strategies of leverage being employed by the leadership.

#### Al Qaeda's objectives unachievable—it’s all hype.

Martin C. Libicki, 2008, PhD, senior management scientist at RAND, formerly of the National Defense University) and Prof. Seth G. Jones (PhD, adjunct professor of political science at Georgetown University), RAND Corporation, "How Terrorist Groups End", http://www.rand.org/pubs/monographs/2008/RAND\_MG741-1.pdf (page XVII)

There is reason to be hopeful. Our analysis concludes that al Qa'ida's probability of success in actually overthrowing any government is close to zero. Out of all the religious groups that ended since 1968, none ended by achieving victory. Al Qa'ida has virtually unachievable objectives in trying to overthrow multiple regimes in the Middle East. To make matters worse, virtually all governments across Europe, North America, South America, Asia, the Middle East, and Africa consider al Qa'ida an enemy. As al Qa'ida expert Peter Bergen has noted, "Making a world of enemies is never a winning strategy."

### No Threat—General

#### Terrorists unskilled and divided

Prof. John Mueller, 2010 (PhD in political science, professor of political science at Ohio State University), Terrorizing Ourselves, Cato Institute, "Assessing Measures Designed to Protect the Homeland", http://books.google.com/books?id=HIsLQgAACAAJ

Political scientist Michael Kenney has interviewed dozens of officials and intelligence agents and has analyzed court documents, and he finds homegrown Islamic militants to be operationally unsophisticated, short on know how, prone to making mistakes, poor at planning, and severely hampered by a limited capacity to learn. Another study documents the difficulties of network coordination that continually threaten operational unity, trust, cohesion, and the ability to act collectively.

#### Minimal terrorist presence in the U.S.

Prof. John Mueller, 2010 (PhD in political science, professor of political science at Ohio State University), Terrorizing Ourselves, Cato Institute, "Assessing Measures Designed to Protect the Homeland", http://books.google.com/books?id=HIsLQgAACAAJ

By 2005, however, after years of well funded sleuthing, the FBI and other investigative agencies concluded in a secret report that they had been unable to uncover a single true al Qaeda sleeper cell anywhere in the United States, a finding (or nonfinding) publicly acknowledged two years later. Al Qaeda deserves special attention here because, as stated by Glenn Carle, a 23-year veteran of the Central Intelligence Agency, where he was deputy national intelligence officer for transnational threats, it is "the only Islamic terrorist organization that targets the U.S. homeland."

### No Threat—Bioterror

#### Beyond current terrorist capabilities

Milton Leitenberg, 2010 (senior research scholar at the Center for International and Security Studies), Terrorizing Ourselves, Cato Institute, "Assessing the Threat of Bioterrorism", http://books.google.com/books?id=HIsLQgAACAAJ

For two decades, we have been told that bioterrorism would be perpetrated by terrorist groups with an international presence and international political objectives. As noted, however, these groups have little or no scientific competence, little or no knowledge of microbiology, and no known access to pathogen strains or laboratory facilities. The most recent U.S. National Intelligence Council terrorist assessment makes no reference to any of these capabilities. The report of the Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism, released in December 2008, states, "We accept the validity of intelligence estimates about the current rudimentary nature of terrorist capabilities in the area of biological weapons."

### No Threat—Nuclear Terror

#### Nuclear terrorism is science fiction - easier to launch Bin Laden into space. It’s not ironman where you just create high tech weapons in a hideout cave.

Adam Garfinkle, 2009 (PhD in international relations, served as a staff member of the National Security Study Group of the U.S. Commission on National Security), May 2009, Foreign Policy Research Institute, "Does Nuclear Deterrence Apply in the Age of Terrorism?", http://www.fpri.org/footnotes/1410.200905.garfinkle.nucleardeterrenceterrorism.html

There have, of course, been several novels, dozens of action movies, and countless television shows featuring terrorists who had somehow gotten their hands on a nuclear device. But none of these dramas ever explains credibly how a bunch of ragtag dropouts and narcissists get their hands on or figure out how to build a useable nuclear weapon. This is because they can't. It is, to understate the matter, not an easy thing to build a nuclear weapon, given the physics, metallurgy, and engineering involved. It takes a fairly large space, a lot of people with different kinds of specialties, and a fair amount of time and money. The material involved is not easy to hide or move, and it certainly isn't easy to deliver a bomb to a target even if one could be fabricated or stolen. Some of the more imaginative depictions of potential catastrophe would have us believe that terrorists could put a nuclear bomb in a suitcase. This is nonsense. You've got to be very sophisticated technically to get a nuke into a suitcase. If you're al Qaeda working in a cave somewhere, even if you have some metallurgy experts and scientists trying to help you, getting a nuclear device into a suitcase is even less likely than being able to launch Osama bin Laden into orbit.

### No Threat—Cyber Attack

#### The threat of a cyber-attack is extremely low.

Scott Borg, January 21, 2012 “Threat of Future Cyber Attacks by Adversaries Remains Low” January 21, 2012. Scott Borg is the Director and Chief Economist of the United States Cyber Consequences Unit.

Will American adversaries respond to American improvement with serious cyber attacks? The short answer is, no. There could be some denial-of-service attacks on U.S. government Web sites, but these would probably be only a minor nuisance. And if they do happen, they might not be acknowledged or even noticed. Cyber conflicts between Hamas and Israel, beginning in 1999, and between Hezbollah and Israel, beginning in 2000, made virtually all political activists in the Middle East very aware of the potential of cyber attacks. Starting in 2001, senior al Qaeda leaders regularly said they would turn the Western superiority in information technology into a tool to bring down the West. In October 2001, an alleged al Qaeda operative, arrested in India, claimed that other members of the terrorist network had managed to get hired by Microsoft, so that they could build backdoors and bugs into the company’s new XP operating system. There is no evidence that al Qaeda operatives were actually able to do this. But after this news story was picked up by the international press, al Qaeda leaders and other ideological militants would certainly have been thinking about the possibilities. Beginning in early 2002, American intelligence officials repeatedly warned that computers belonging to al Qaeda associates had been used to access Web sites offering hacker tools and instructions. Imam Samudra, organizer of the 2002 Bali nightclub bombings, urged Muslim militants to start hacking into U.S. computers, both to steal money and to do damage.¶ Starting in 2002, however, government forces were very successful in hunting down potential al Qaeda cyber attack leaders. Imam Samudra was arrested in Indonesia in 2002 and eventually executed for his terrorist acts. Abu Anas al Liby was reported captured in Sudan in 2002, although American officials have since said that his whereabouts is still unknown. Khalid Shaikh Mohammed was captured in Pakistan in 2003 and is currently being held at Guantanamo Bay. Depriving al Qaeda of these leaders seems to have been a big setback to their cyber efforts. Cyber-attack threats are increasingly disappearing, strongly due to an increasing United States cyber-infrastructure. In March of 2005, Sir David Omand announced that British intelligence had surveillance reports indicating al Qaeda affiliates were preparing to use the internet and other electronic communication systems to cripple economic, medical, and transport networks. These attacks were either never launched or, more likely, were unsuccessful. Government forces had another round of successes in capturing al Qaeda cyber attack advocates in 2005. Younis Tsouli was arrested in the U.K. in 2005 and convicted of incitement to acts of terrorism in 2007. Mustafa Setmariam Nasar was captured in Pakistan in 2005. In 2006, many cyber attackers in the Arab world got caught up in a cyber campaign against Denmark, prompted by the Danish cartoon of Mohammed. This effort seems to have temporarily reduced other cyber attack activity originating from the Middle East. In December of 2006 and again in October of 2007, Web sites associated with al Qaeda announced the beginning of a "cyber Jihad," directed against Western banks and other important institutions. There were rumors and circumstantial signs of ambitious cyber attacks being mounted by al Qaeda during this period, but they don’t seem to have gotten very far. Since early 2008, there has been no sign of any sustained or sizeable effort on the part of al Qaeda to assemble a serious cyber-attack force. This suggests, at minimum, that they have not been recruiting cyber attackers very widely or aggressively. It is possible the al Qaeda has been developing cyber-attack teams from within its own ranks, but bringing them to a very high level of capabilities without interaction with the wider hacker world would be difficult. Altogether, given its history and the lack of outward signs, it seems unlikely that enemies has developed significant cyber attack capabilities.

## Oil

#### Nuclear is replacing oil

Simit Patel; Energy Geopolitics Analyzer; January 3 2012 “Oil Prices Rose 19% In 2011 - Another Sign That A Nuclear Renaissance Is Inevitable” <http://seekingalpha.com/article/317065-oil-prices-rose-19-in-2011-another-sign-that-a-nuclear-renaissance-is-inevitable>

Oil prices rose 19% over the course of 2011, the third consecutive year marked by a rise in the price of oil. Below is the monthly chart of Brent Crude Oil that illustrates the clear uptrend.¶ ¶ ¶ While currency devaluation, geopolitical tensions, and speculators are all forces that may be contributing to rising oil prices and greater market volatility, a growing factor that suggests the price rise will continue is the supply/demand imbalance in the oil market. In other words: demand for oil and other fossil fuels is only growing, but the supply of them is diminishing. The chart below illustrates.¶ ¶ click to enlarge¶ ¶ ¶ ¶ While I believe the world will likely be using fossil fuels as a primary source of energy for some time, we are clearly at a point where a new source of energy is needed. I believe nuclear energy is the primary candidate destined to grow, for the following reasons:¶ ¶ 1. It can provide "baseload" - meaning always on - energy¶ 2. It is emission-free¶ 3. It has high power density, which means it does not require an inordinate amount of land and thus is conducive to powering cities¶ 4. It is inexpensive¶ ¶ No other source can really make these same claims. Wind and solar are much more expensive and cannot effectively provide baseload energy, which is precisely why they remain insignificant sources of power on a global basis. Technological breakthroughs may change this, though I don't see this on the horizon, and believe renewables will have limited roles in the global energy market until this changes.¶ ¶ And so, the rise of nuclear energy is virtually inevitable -- the world will demand it for survival. Accordingly, China already has 25 nuclear power plants under construction, and realizes that nuclear will be a key part of how its nation is powered as it increasingly urbanizes. Investors can recognize China as the "smart money" -- the force driving the market's demand and sending prices higher -- in the nuclear energy market.¶ ¶ Of course, this transition will not occur overnight - nuclear power plants take a long time to build - and so oil, coal, and natural gas will continue to play an important role in providing energy to the world. Investors will need to be patient, as this market may take up to a decade to really get going. The value network is still developing and much depends on how government participates and regulates the market, as well as what innovations entrepreneurs will develop as the market grows

**High oil prices cause a transition to alternative energy absent the plan**

**Rivlin, 1** (Paul Rivlin has a PhD from the University of London and is a Senior Research Fellow at the Moshe Dayan Center for Middle Eastern and African studies, specializing in the Middle East economy and its historical development, “High Oil Prices and the Middle East Strategic Balance,” on March 16,2011 from <http://www.dayan.org/pdfim/TA_Notes_RIVLIN_Oil_MAR16_11.pdf>)

Does it make sense **for the US and other Western countries to reduce oil consumption? High oil prices will do this automatically if they are maintained**, because **they will encourage the use of alternative fuels and technologies that use less fuel. Stimulating this** by government action **would reduce exposure to oil price rises/shortages and would encourage the development of new technologies. These** could help to **stimulate economic growth** and be exported to China and other fast growing, oil importing countries. They would also have beneficial environmental effects. It is too late to avoid the effects of the current predictable and predicted crisis; any measures undertaken now would only affect the demand for oil in the medium term.

**The price of oil is what investors look to when making investment decisions**

Huang et. al 11 (Alex YiHou, Department of Finance, Yuan Ze University, Taiwan, Chiao-Ming Cheng Graduate School of Management, Yuan Ze University, Taiwan, Chih-Chun Chen Graduate School of Management, Yuan Ze University, Taiwan, Wen-Cheng Hu Graduate School of Management, Yuan Ze University, Taiwan “Oil Prices and Stock Prices of Alternative Energy Companies: Time Varying Relationship with Recent Evidence” <http://www.southwesternfinance.org/conf-2011/swfa2011_submission_30.pdf> kdej)

In sum, while price uncertainty of crude oil rises and green energy gains greater deal of attention in recent years, the interrelationships between oil prices and stock performances of alternative energy companies become more significant. For Periods I and II, time before the Lebanon War from 2001 to late 2006, no causality is shown from oil prices to ECO index or vice verse, implying that the movements of crude oil prices do not affect how the investors trade with the stocks of alternative energy industry. In the most recent period, when oil prices reach historical high and crash back with volatile dynamics, oil price behavior becomes responsible for stock performances of alternative energy companies. Also only recently, the dynamics in oil trading also depend on how stocks of oil companies perform. These results add to literature showing that investors of alternative energy companies conduct their trading decisions upon observation of crude oil price shocks. The two markets, i.e. crude oil market and stock market for green energy sector, seem to be more closely interactive with each other. The full picture of how the crude oil markets react to the development of green energy, however, requires additional examinations and is certainly an area worthy of future exploration.

# Disadvantages

## Capital Flight DA

### 1NC

#### Global infrastructure funds are tight – developing nations are seeking to tap into international markets with PPP3s

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

The scope for increasing infrastructure financing from traditional donors seems limited under current economic circumstances. Infrastructure aid doubled between 2006 and 2009, as multilateral creditors scaled up their infrastructure financing to dampen the impact of the financial crisis on developing countries (see Figure 5). Multilateral creditors provided infrastructure financing of around US$20 billion in 2006 to 2008, which climbed to US$50 billion in 2009 as the World Bank Group provided record level support of US$26 billion financing for infrastructure.31 But since the 2008-09 economic crisis affected several donor countries, it is not unreasonable to expect that infrastructure aid is likely to decline in the years to come. Using panel data from 1977 to 2007, Dang, Knack, and Rogers (2009) find that banking crises in donor countries are associated with a significant decline in aid flows by 20 to 25 percent, starting to increase again only about a decade after the start of the crisis. This decline went beyond any income-related effects and was possibly the result of reduced fiscal space and higher debt levels after the crisis. 51. Several non-traditional bilateral donors, such as China, India, Arab countries and Brazil have financed major infrastructure projects in Africa. Overall, infrastructure resources provided to Africa by these countries through economic agencies jumped from US$1 billion per year in the early 2000s to around US$8 billion in 2006 (Foster and Briceño-Garmendia 2010). These investments tend often to be targeted to natural resource rich economies. Sovereign Wealth Funds (SWFs) from some of these countries have also started to invest in infrastructure.32 Overall, SWFs are estimated to hold more than US$3.2 trillion in financial assets at the end of 2008 (Klitzing, Lin, Lund, and Nordin 2010). The Emerging Markets Private Equity Association estimates that SWFs allocated approximately 18 percent of their portfolio to non-domestic emerging market investments, but only a small portion of was allocated to infrastructure. In the context of the current economic turmoil, investment opportunities that were once deemed safe and attractive may be losing their appeal, which has the potential to make investments in infrastructure in developing countries more desirable for long-term investors. In addition, many developing countries have taken important steps to reduce the risks associated with long-term investments, which include, but are not limited to, implementing sound macroeconomic policies, improving regulatory frameworks, and strengthening capacity for project identification and preparation. In this context, it might however be worth exploring which concrete steps would need to be taken to make infrastructure investments in developing countries more attractive for Sovereign Wealth Funds (SWFs). 52. Some governments could also make more effective use of domestic savings. But in many lower-income countries, local capital markets tend to be illiquid and shallow, with limited secondary market activity and a limited range of short-term instruments, which are generally not suitable for infrastructure investments. Major investors tend to be local banks that prefer short maturities to better match their liability structure. Institutional investors such as pension funds and insurance companies, which tend to hold longer-term liabilities, are often underdeveloped. As a consequence, domestic funding for infrastructure investment is limited and very costly.33 Looking forward, governments in lower-income counties could take steps to strengthen domestic capital markets. This could include keeping inflation rates low and stable (which tends to be a challenge in countries with a narrow, agricultural or natural resource dominated economic base), developing a well-established yield curve for government bonds that can serve as a benchmark for the corporate sector, and taking steps to enhance the institutional investor base. Improving the domestic capital market would have beneficial effects far beyond infrastructure investments per se. Still, for many low-income countries, the scope of significantly increasing domestic financing in the short-term seems limited if one considers that domestic savings are very low, sometimes even falling short of estimated infrastructure needs. 53. Several emerging market economies have managed to develop local bond markets to support longer-term issuances by infrastructure companies. Still, in others, bank loans play an important role. In China, public banks are providing long-term financing. In Brazil, long-term lending for infrastructure comes from the Banco Nacional de Desenvolvimento Economico e Social (BNDES), a publicly-owned development bank, which lent about US$25 billion for infrastructure projects in 2009. It provides loans to companies investing in infrastructure and guarantees and buys infrastructure bonds issued by some corporations. The BNDES is financed through a combination of retained earnings, foreign funding (including form bilateral and multilateral lenders) and government resources (Walsh, Park and Yu 2011). 54. Several developing countries have also started to tap into international financial markets to finance infrastructure projects.34 International bond issuances are attractive for infrastructure investments, not only because they enable countries to augment domestic savings and broaden the investor based, but also because they have a back-loaded repayment profile. But they also entail significant risks, which include a reversal in the confidence of international investors, exchange rate exposure, high refinancing needs and potentially large costs-of-carry. 55. But the private sector’s role in infrastructure investments has not been limited to these types of financing. It often engages in infrastructure financing through public-private partnerships (PPPs), which are established through a long-term contract between a government and a private investor, bundling investment and service provision into a single long-term contract. The investor (usually a group of private investors) finances and manages the construction of the project, and maintains and operates it over the time of the contract (usually around 20 to 30 years), before transferring the assets to the government. During the operation, the investor receives a stream of payments (for example, through user fees or government payments) as a compensation (seem for example, Engel, Fischer and Galetovich 2010). 56. Governments in developing countries have been increasingly interested in attracting Private Public Partnerships (PPPs) for infrastructure investments. One source of information is the World Bank’s data base on Private Participation in Infrastructure (PPI)35 which provides information on infrastructure investment commitments in which private parties assume operating risks. These commitments reached a record high of US$170 billion in 2010, but have been historically heavily concentrated in a few countries and in one sector, telecommunications. India has been the top recipient of private sector flows in infrastructure since 2006 (see Figure 6). Excluding the top recipients of private sector investments in infrastructure Brazil, China, India, Russia and Turkey, private investment commitments actually fell by around 30 percent between 2007 and 2010 as a result of the financial crisis and the number of countries attracting private sector involvement has reached its lowest level since the beginning of the early 1990s. As risk aversion has increased, investors are now seeking lower debt/equity ratios, shorter tenors, and higher overall expected rates of return (Izaguirre 2010). Moreover, total private sector financing going to infrastructure investments in developing countries is still small at the global scale. This raises question which steps countries would need to undertake to increase the appeal of PPPs in developing countries for investors.

#### An IB is zero-sum with investments that will stay abroad now

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.

#### Developing country investment will prevent global growth reduction

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

Although the financial crisis of 2008 officially came to an end in the United States in June 20092, its repercussions continue to be felt across the globe. In many advanced economies, industrial production lingers below pre-crisis levels. Unemployment remains stubbornly high and balance sheets of governments, European financial institutions and U.S. households continue to be weak. In continental Europe’s highly-indebted economies, a crisis of confidence has led to plummeting stock markets and widening spreads. Signs of vulnerability are also surging in emerging market economies. The anxiety over a weak global growth outlook is rising. World growth is expected to slow down from 4 percent in 2010 to around 2.5 percent through 2012, as growth in advanced economies is projected to contract (World Bank 2012). The combination of excess capacity, low returns on investment, high risks and lower growth in advanced economies has been referred to as the ―new normal.‖3 If this ―new normal‖ becomes entrenched, several advanced countries may face a lost decade4—with negative consequences for the entire world. What the world needs now is a growth lifting strategy. With a looming public debt crisis in Europe and high public debt levels in the U.S., the private sector should ideally become the driver of growth; however, as long as excess capacity persists and investment risks remain high, private sector investment is likely to remain subdued. In order to reduce debt levels, many governments have turned their attention to implementing austerity measures and structural reforms, but austerity measures bear the danger of further weakening growth and worsening unemployment. Structural reforms, while key to boosting growth in the medium term, will only gain traction once demand increases. This raises the question of how governments can support demand and employment without adding further to debt levels in the medium run. Investments in green technology, education, and infrastructure come to mind. Under current economic circumstances, however, investing in bottleneck-releasing infrastructure projects that are self-financing may be the best option. Infrastructure investments create jobs in sectors such as construction and manufacturing, which have been hit hard by the crisis, while also enhancing countries’ future competitiveness and growth. In addition, countries could explore innovative financing mechanisms to bring in the private sector and minimize the impact of these investments on the public debt burden. 3. Any growth lifting strategy would need to encompass developing countries which have become increasingly important drivers of global economic growth. Opportunities for investing in bottleneck-releasing infrastructure are limited in advanced economies, which on average tend to already have rather well developed infrastructure. As discussed below, infrastructure needs in developing countries are large and lack of infrastructure is often a key bottleneck to growth. Since infrastructure projects require capital goods, many of which are produced in advanced economies, infrastructure investments in developing countries would also support the manufacturing sector in advanced economies. In addition, as growth in developing countries is lifted, their demand for products produced in advanced economies would increase further, possibly triggering a virtuous circle of mutually reinforcing growth. 4. In the aftermath of the recent crisis, several economists and politicians have expressed skepticism that Keynesian-type stimulus really works. A global infrastructure investment initiative, which scales up bottleneck-releasing infrastructure projects in advanced as well as developing countries, would go beyond the traditional Keynesianism stimulus along several key dimensions. First, instead of increasing government spending in times of crisis ―by digging a hole and filling a hole,‖ it emphasizes that any growth-lifting solution should focus on implementing bottleneck-releasing investments which will not only increase demand in the short-term but also raise longer term growth prospects. Second, the traditional Keynesian stimulus directs spending toward the domestic economy, while this proposal recommends a globally coordinated investment initiative. Finally, a global infrastructure initiative would not necessarily be financed through additional government spending. The government could, however, use existing financial resources, technical assistance and improvements in policies and the institutional environment to make infrastructure projects more attractive for private investors.

#### Foreign infrastructure development is key to climate change adaption

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

Infrastructure is not only a by-product of growth, but can also be an important driver of economic development.20 Economic development in any country is a process of continuous technological innovation, industrial upgrading and diversification, and structural transformation. Countries start with more than 85 percent of the population making a living through agriculture when income levels are low. At this agrarian stage, farmers produce mostly for their own consumption and the need for infrastructure services is limited. When the production moves to manufacturing, economies of scale become larger, and producers will mostly produce for other people and no longer for themselves. As market range expands, good infrastructure will enable entrepreneurs to get their goods and services to market in a secure and timely manner and facilitate the movement of workers to the most suitable jobs (Lin 2011c). In addition, in the presence of global climate change and increasingly intense natural disasters, adequate infrastructure can support sustainable development, minimize vulnerability to natural disasters, and promote reliance on public transportation.

#### Failure to adapt increases risks of water wars, mass refugees and resource conflicts

Sumudu Atapattu, Associate Director, Global Legal Studies Center, University of Wisconsin Law

School; Lead Counsel, Poverty and Human Rights, Center for International Sustainable

Development Law, 2007 Global Climate Change: Can Human Rights (and Human Beings) Survive this Onslaught?† \*

http://www.cjielp.org/documents/cjielp\_art132.pdf

While environmental stress has rarely been the sole cause of conflicts in and between states, the intrinsic link between access to¶ resources—particularly water—and conflict is increasingly recognized.¶ Global climate change will exacerbate this problem. Faced with¶ increased temperatures, erosion, desertification, deforestation, flooding,¶ rising sea levels, forest fires, loss of species, and increased incidence of¶ disease, environmental stress may well become the main cause of¶ conflict in the coming years.¶ While wars and conflicts have forced many people to abandon their¶ homes and flee to relatively safe areas, we are now faced with a situation¶ where people may flee their homes for environmental reasons. People¶ who do so have been termed “environmental refugees,” and it is¶ estimated that in 1984–1985 some ten million Africans fled their homes¶ due to reasons connected with environmental degradation.121 Many of¶ these refugees moved across national boundaries thereby increasing¶ tension in the receiving countries. Most receiving countries can barely¶ cope with their own problems and when more people seek access to¶ quickly dwindling resources, conflicts are bound to increase.¶ The World Commission on Environment and Development¶ (“WCED”) described the relationship between environmental¶ degradation and conflict as follows:¶ As unsustainable forms of development push individual countries up¶ against environmental limits, major differences in environmental¶ endowment among countries, or variations in stocks of usable land¶ and raw materials, could precipitate and exacerbate international¶ tension and conflict. And competition for use of the global commons,¶ such as ocean fisheries and Antarctica, or for use of more localized¶ common resources in fixed supply, such as rivers and coastal waters,¶ could escalate to the level of international conflict and so threaten¶ international peace and security.122¶ If one also considers the inherent injustices in developing countries,¶ prevailing extreme socioeconomic inequality, and corruption and¶ poverty, the situation becomes bleak indeed. The WCED recognized the¶ link between global warming and conflict as follows:¶ Environmental threats to security are now beginning to emerge on a¶ global scale. The most worrisome of these stem from the possible¶ consequences of global warming. . . Any such climatic change would¶ quite probably be unequal in its effects, disrupting agricultural¶ systems in areas that provide a large proportion of the world’s cereal¶ harvests and perhaps triggering mass population movements in areas¶ where hunger is already endemic. Sea levels may rise during the first¶ half of the next century enough to radically change the boundaries¶ between coastal nations and to change the shapes and strategic¶ importance of international waterways—effects both likely to¶ increase international tension. The climatic and sea-level change are¶ also likely to disrupt the breeding grounds of economically important

fish species. Slowing, or adapting to, global warming is becoming an

essential task to reduce the risks of conflict.123

### 2NC

Domestic only infrastructure initiatives will fail to reach a global economic recover

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

As the world recovers only slowly from the 2008 financial crisis and Europe is facing a looming debt crisis, concerns have increased that the “new normal”—a period of high unemployment, low returns on investment, high risks, and low growth—may become protracted in advanced economies. If growth remains weak, unemployment rates and debt levels will be slow to recede. Consequently, the global recovery may continue to be fragile for years to come. What the world needs now is a growthlifting strategy. This strategy could take the form of a global infrastructure initiative. Since debt levels are high, governments in the United States and Europe could increase demand and support growth through investments in bottleneck-releasing infrastructure projects that are self-financing. An infrastructure initiative should, however, go beyond the borders of advanced countries and include developing countries. Economic and social returns to infrastructure investments tend to be high in developing countries, which have become increasingly important drivers of global growth. At the same time, infrastructure investments require capital goods, most of which are produced in high-income countries. Scaling up infrastructure investment in developing countries could therefore help generate a virtuous cycle in support of a global recovery.

### Unique: FDI high now (3rd world)

#### FDI to developing nations rising now

Business Day (South Africa), July 6, 2012 Friday

Business Day Edition, “SA tops subregion in foreign direct investment” Economics Editor

SA HAS been ranked 14th out of 20 countries regarded by international companies as top prospective investment destinations between this year and 2014, according to a global report released yesterday. The research by the United Nations Conference on Trade and Development (Unctad) showed that SA was a key driver of a 25% leap in foreign direct investment (FDI) into sub-Saharan Africa last year. FDI inflows into the country increased nearly five-fold to $5,81bn from $1,23bn in 2010, making SA the second-largest recipient in Africa after Nigeria, which received $8,9bn, according to the figures in the World Investment Report 2012. The news is reassuring amid mounting concern over the effects of a slowdown in economic growth this year and debate over further state intervention in the economy, which might spook investors. & SA's investment policy regime is quite liberal compared to other countries,& said Jorge Maia, research head at the Industrial Development Corporation, which took part in the research with Unctad. & SA is not only rich in natural resources, it also has very good infrastructure relative to its peers and very good technical skills,& he said. Mr Maia said it was hard to predict what FDI SA could expect this year, as most of its inflows stemmed from large corporate deals. FDI flows into SA last year accounted for 13,6% of Africa's total, while its overall FDI stock amounted to 31,8% of gross domestic product, up from 9,9% in 1995, the research report showed. Total FDI into Africa slowed to $42,65bn last year from $43,12bn in 2010, but that was mainly due to political and social instability in North Africa.Inflows to sub-Saharan Africa surged to $36,9bn last year from $29,5bn in 2010 - a level comparable to the peak of $37,3bn reached in 2008, when the global financial crisis started to unfold. Prospects for the continent this year were & promising& as strong growth, economic reforms and high commodity prices have boosted investor appetite, the report said.

One such indication was that in sub-Saharan Africa, excluding SA, net sales related to mergers and acquisitions - the purchase of African firms by foreign transnational corporations - over the first five months of this year more than doubled from the same period the previous year,& it added. Leon Myburgh, sub-Saharan Africa strategist at Citigroup, said Africa was outperforming most developed markets and some emerging markets as well. & Given its relatively low state of development there are huge opportunities for investment across the continent, either for new business or infrastructure. These are being exploited and will continue to be exploited in coming years,& he said. Mr Maia said that contrary to popular perceptions, the relative importance of the primary sectors of African economies to FDI was declining in the wake of a shift towards services and manufacturing. Economic uncertainty and the possibility of lower growth rates in big emerging markets risked undercutting global FDI this year, the report said. Total global FDI would & level off& to $1,6-trillion this year before picking up to $1,8-trillion next year and $1,9-trillion in 2014. Developing countries continued to account for nearly half of global FDI last year, with their inflows rising 11% to $684bn, a new record high, according to the report. Inflows to developed countries jumped by 21% to $748bn, the research showed. Transnational companies were sitting on estimated cash holdings of $4,5-trillion last year, which suggested that $500bn would be available to invest once they had stopped holding back, Mr Maia said.

#### South Africa is raising foreign capital to address infrastructure integration needs

Business Day July 12, 2012, Business Day Edition “Africa's infrastructure needs enormous”

Africa's infrastructure needs enormous, Lexis.

Private-public partnerships would best suit the continent, writes

SA's proposed R3,2-trillion infrastructure drive is predicated on building infrastructure links across Africa. & SA is committed to the development of Africa - this is evident in our foreign policy,& Energy Minister Dipuo Peters told delegates at this week's Infrastructure Africa Business Forum in Johannesburg.But President Jacob Zuma, who is heading the Presidential Infrastructure Champion Initiative on behalf of the African Union, as well as championing domestic infrastructure build, will have his work cut out aligning policy and regulation with cost-effective and relevant projects in energy, transport, water, agriculture, information communications technology, health and education.SA has outlined 17 strategic investment projects in infrastructure made up of hundreds of sub-components in various stages of planning. While many will likely not come about, the idea is to engender economic access across the country, enhancing competitiveness. However, as many observers warn, infrastructure is an economic enabler rather than an end in itself. This means potential projects in SA and across the continent will have to be vetted, funded, approved and implemented in a coherent and sustainable way. Along with Mr Zuma's role in the Presidential Infrastructure Championship Initiative on behalf of the African Union and SA's own Presidential Infrastructure Co-ordinating Commission, the New Partnership for Africa's Development oversees the Programme for Infrastructure Development in Africa, bringing together the public sector, private sector and various development agencies. The African Development Bank (AfDB) says it has budgeted $360bn for building infrastructure to 2040. But much more money will be needed. The World Bank estimates it will cost about $93bn a year to address the continent's infrastructure needs. Ms Peters says this will be derived from sources including the AfDB, the World Bank, and the private sector. However, with African countries among the least competitive in the world, and lack of infrastructure estimated to drain Africa's gross domestic product by 2% a year, governments will have to bring in private sector expertise from the beginning. & Nobody's balance sheet is big enough - full stop,& says Raenette Taljaard, senior lecturer in public policy at the University of Cape Town. & It is up to the private sector to hold the feet of politicians to the fire,& she says, adding that Africans also need to be a & little more aggressive& in international debt markets. Miriam Altman, a commissioner to the National Planning Commission in the Presidency, says Africa faces a & resource curse& This means & infrastructure will generally be orientated to the commodity that is being developed and will not be oriented to social development. & How do you marry public and private interests?& she says. One method is to ensure that private participation in infrastructure build is not solely profit driven& says Ellen Hagerman, an international development consultant. But she says Brazil, Russia, India and China are not being asked to link African infrastructure investment to social responsibility. Transnet is in London this week to assess market conditions for pricing an international bond to help fund its R300bn infrastructure investment programme over seven years. While domestic funding will help meet future infrastructure needs, SA also needs to tap considerable external capital and technical expertise.

### At: US Key

#### Advanced economic nations have diminishing returns with infrastructure development

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

Opportunities for bottleneck-releasing infrastructure investments in advanced economies are likely to be limited, however, since their infrastructure capital stock tends to be on average well developed. Moreover, since developing countries are increasingly becoming key drivers of world growth, any infrastructure initiative should include them. In developing countries infrastructure investments can be truly transformative, as was the case in the United States decades ago. In 1919, when the young lieutenant colonel, Dwight D. Eisenhower, drove from Washington, D.C., to Oakland, California, with the Motor Transport Corps Convoy, it took him 56 days to cover the 3,250 miles, covering an average of 58 miles during daily 10-hour rides. Upon his return, he reported that bridges were destroyed by the convoy, trucks became stuck during rain, and some roads simply could not accommodate quick and easy travel (Eisenhower 1919). Later, as president, Eisenhower promoted the Federal-Aid Highway Act of 1956. In doing so, he envisioneddeveloping countries in constant 2008 dollars for 2013 under different scenarios.25 They also estimate that financing for infrastructure projects amounts currently to roughly US$850 billion in developing countries. Assuming that this amount of financing continues to be available in the medium term, the estimated infrastructure financing gap would be between US$400 billion and US$650 billion per year. 37. What would be the impact on exports in advanced economies if this financing gap were to be closed? A US$1 increase in investment in developing countries is associated with a US$0.50 increase in imports.26 In 2009, about 70 percent of traded capital goods from low-income countries were sourced from high-income countries (see Table 1). A US$1 increase in investment in developing countries is therefore likely to be associated with a US$0.35 increase in exports from high-income countries. Assuming that an infrastructure gap in the developing world of around US$500 billion annually were to be closed, the associated demand for capital goods imports worldwide for infrastructure investment alone would correspond to US$250 billion, of which about US$175 billion would be sourced from high-income countries. This corresponds to about 7 percent of total capital goods exports from high-income countries in 2010. that ―its impact on the American economy—the jobs that it would produce in manufacturing and construction, the rural areas it would open up—was beyond calculation‖ (Eisenhower 1963). Opportunities to transform economies through infrastructure investments still abound in developing countries today—to the benefit of advanced economies.

### Impacts: Climate Change Adaption

#### Warming is inevitable – adaption is key to avoid the worst case scenario

Manish Bapna and Kelly Levin on February 10, 2011

“Climate Adaptation: Can Developing Countries Prepare for a Hotter Tomorrow?” http://www.wri.org/stories/2011/02/climate-adaptation-can-developing-countries-prepare-hotter-tomorrow

As well as urgently cutting emissions, nations everywhere need to take steps to adapt to a very different world. Over the past year, the world has witnessed weather events on four continents so extreme that they stretch the limits of modern human experience. Last summer’s flooding in Pakistan inundated one fifth of the country and affected 20 million people. The record Moscow heat wave led to more than 10,000 deaths, widespread peat bog and forest fires, and the loss of a third of Russia’s grain crop, driving up food prices worldwide. 2011 has already witnessed flooding in Eastern Australia that submerged an area the size of France and Germany combined, followed by the most powerful cyclone to hit the country in almost a century. In Brazil, New Year floods combined with mudslides triggered the nation’s deadliest natural disaster on record. Visit the World Resources Report website for more information on decision-making in a changing climate. It is too early to tell whether these extreme events are directly caused by human-induced climate change. What is not in dispute is that they are consistent with the broad scientific consensus that links a changing climate with more extreme events and more severe climatic cycles. Equally indisputably, the world is quickly moving towards a much hotter tomorrow.Global average surface temperature in 2010 tied as the warmest on record. According to NOAA, it also took the honors as the wettest year since records began; a development in line with models that predict that warmer temperatures will increase precipitation. The world has witnessed 0.8˚C (1.5˚F) of warming since 1880, resulting already in significant changes to physical, hydrological and ecological systems. Yet man-made climate change has barely begun to bite. According to a recent UNEP assessment, by 2100, the world can expect global average temperature rises between 2.5˚C and 5˚C (4.5˚F-9˚F) over pre-industrial levels even if all the greenhouse gas emissions cuts pledged by countries in the UN climate negotiations are fulfilled. If these pledges are not honored, warming will be even greater. The message for governments is clear. As well as urgently cutting emissions, nations everywhere need to take steps to adapt to a very different world. Such steps will require a fundamental shift in how most governments currently plan for climate-related impacts. Not only must we improve our ability to react to extreme weather events, and other climate-related surprises. Just as important, we must proactively prepare countries for new variations in local climate (such as altered monsoon patterns) and long-term changes (such as sea level rise) the combined impacts of which could affect vast populations. It is imperative that governments start now to incorporate climate risks into plans and policies in sectors such as urban development, coastal planning, agriculture, water and forestry management, and electricity production. If they don’t, major investments by governments and donors may be wasted or quickly become obsolete. And the world’s most vulnerable and resource-poor societies will miss critical opportunities to become more climate-resilient. In Pakistan, for example, hundreds of millions of dollars worth of development investments were swept away in the floodwaters. So how specifically should planners and policy makers go about incorporating climate risks into their decisions? Human society historically has not been good at forward-looking, proactive decision making. We are slow to react to, learn from, and foresee change. While natural disasters grab the headlines, some countries are pioneering ways to plan for both short- and long-term climate risks. Yet encouragingly, while natural disasters grab the headlines, below the radar some countries are pioneering ways to plan for both short- and long-term climate risks. Over the past year, the World Resources Report, produced by the World Resources Institute with the UN Development Programme, UN Environment Programme, and the World Bank, has engaged leaders in developing countries to learn about such efforts. Important lessons are emerging, with governments using innovative policies and pilot projects to learn which interventions can effectively address different climate risks and how to catalyze such action. Bangladesh has begun to move from disaster relief to disaster preparedness, developing pioneering early warning systems. When Cyclone SIDR battered Bangladesh in 2007, these helped keep the death toll to about 3,400 people, compared with an estimated 140,000 who perished in a 1991 cyclone of similar magnitude. Vietnam is investing more than US$100m in mangrove restoration to protect coastal towns in anticipation of climate-induced flooding. State-owned plantations have been coupled with new schools, health clinics and roads, as well as forest leases for villagers, to promote acceptance. In drought-plagued Mali, the national meteorological service transmits seasonal rainfall and soil moisture data to farmers teaching them to interpret the information to manage their crops, with yields and incomes rising in pilot areas. It is no accident that these initiatives are taking root in poor countries with the most to lose from the many impacts climate change will throw at humanity. Indeed, the developing world, out of necessity, may lead the way in learning to live with a warming planet.

#### Adaption investment outweights cuts in carbon – it’s key to avoid economic decline in the third world – advanced nations will be fine

Bjorn Lomborg, director of the Copenhagen Consensus Center think-tank, author of Cool It and Skeptical Environmentalist, and an adjunct-professor at Copenhagen “Adapting to Climate Change,” Copenhagen Consensus Center, Copenhagen – August 2009, http://fixtheclimate.com/uploads/tx\_templavoila/AdaptingToClimateChange.pdf

The important effects are on agriculture and tourism, where nations will lose, on average, about 0.5% of GDP from each sector. But much of this damage will be avoided by people choosing for themselves to adapt to a change in their environment. Farmers will choose plants that thrive in heat. New houses will be designed to deal with warmer temperatures. Simple economic models, often quoted in the media, show that unconstrained global warming would cost a substantial 2% of GDP in the rich world by the end of the century. But this fails to acknowledge that people will change their behavior when the environment changes. Taking adaptation into account, rich countries will adapt to the negative consequences of global warming and exploit the positive changes, creating a total positive effect of global warming worth about 0.1% of GDP. Poor countries will be hit harder,however. Adaptation will reduce the climate change-related losses from 5% of GDP to slightly less than 3% – but this is still a significant impact. The real challenge of global warming, therefore, lies in tackling its impact on the Third World. Here, more needs to be done, above and beyond the adaptation that will happen naturally. Importantly, the new research shows that adaptation would achieve a lot more than cuts in carbon emissions. Reducing emissions to a level that does not extinguish economic growth could avert $3 trillion worth of damage, whereas adaptation could prevent around $8 trillion worth of damage. For every dollar spent on adaptation, we would achieve about $1.70 worth of positive changes for the planet. The economic case for focusing more on adaptation is clear. The crucial next step is to ensure that economic arguments become a stronger part of our political debate about how to address global warming.

#### Failure to adapt will place a billion people at high risk of death

NY Times 2007, 4-1 “Poor Nations to Bear Brunt as World Warms”

http://www.nytimes.com/2007/04/01/science/earth/01climate.html?\_r=1&pagewanted=all

The world’s richest countries, which have contributed by far the most to the atmospheric changes linked to global warming, are already spending billions of dollars to limit their own risks from its worst consequences, like drought and rising seas.

But despite longstanding treaty commitments to help poor countries deal with warming, these industrial powers are spending just tens of millions of dollars on ways to limit climate and coastal hazards in the world’s most vulnerable regions — most of them close to the equator and overwhelmingly poor.

Next Friday, a new report from the Intergovernmental Panel on Climate Change, a United Nations body that since 1990 has been assessing global warming, will underline this growing climate divide, according to scientists involved in writing it — with wealthy nations far from the equator not only experiencing fewer effects but also better able to withstand them.¶ Two-thirds of the atmospheric buildup of carbon dioxide, a heat-trapping greenhouse gas that can persist in the air for centuries, has come in nearly equal proportions from the United States and Western European countries. Those and other wealthy nations are investing in windmill-powered plants that turn seawater to drinking water, in flood barriers and floatable homes, and in grains and soybeans genetically altered to flourish even in a drought.¶ In contrast, Africa accounts for less than 3 percent of the global emissions of carbon dioxide from fuel burning since 1900, yet its 840 million people face some of the biggest risks from drought and disrupted water supplies, according to new scientific assessments. As the oceans swell with water from melting ice sheets, it is the crowded river deltas in southern Asia and Egypt, along with small island nations, that are most at risk.¶ “Like the sinking of the Titanic, catastrophes are not democratic,” said Henry I. Miller, a fellow with the Hoover Institution at Stanford University. “A much higher fraction of passengers from the cheaper decks were lost. We’ll see the same phenomenon with global warming.”¶ Those in harm’s way are beginning to speak out. “We have a message here to tell these countries, that you are causing aggression to us by causing global warming,” President Yoweri Museveni of Uganda said at the African Union summit in Addis Ababa, Ethiopia, in February. “Alaska will probably become good for agriculture, Siberia will probably become good for agriculture, but where does that leave Africa?”¶ Scientists say it has become increasingly clear that worldwide precipitation is shifting away from the equator and toward the poles. That will nourish crops in warming regions like Canada and Siberia while parching countries — like Malawi in sub-Saharan Africa — which are already prone to drought.¶ While rich countries are hardly immune from drought and flooding, their wealth will largely insulate them from harm, at least for the next generation or two, many experts say.¶ Cities in Texas, California and Australia are already building or planning desalination plants, for example. And federal studies have shown that desalination can work far from the sea, purifying water from brackish aquifers deep in the ground in places like New Mexico.¶ “The inequity of this whole situation is really enormous if you look at who’s responsible and who’s suffering as a result,” said Rajendra K. Pachauri, chairman of the United Nations climate panel. In its most recent report, in February, the panel said that decades of warming and rising seas were inevitable with the existing greenhouse-gas buildup, no matter what was done about cutting future greenhouse gas emissions.¶ Mr. Miller, of the Hoover Institution, said the world should focus less on trying to rapidly cut greenhouse gases and more on helping regions at risk become more resilient.¶ Many other experts insist this is not an either-or situation. They say that cutting the vulnerability of poor regions needs much more attention, but add that unless emissions are curbed, there will be centuries of warming and rising seas that will threaten ecosystems, water supplies, and resources from the poles to the equator, harming rich and poor.¶ Cynthia E. Rosenzweig, a NASA expert on climate and agriculture who is a lead author of the United Nations panel’s forthcoming impacts report, said that while the richer northern nations may benefit temporarily, “As you march through the decades, at some point — and we don’t know where these inflection points are — negative effects of climate change dominate everywhere.”¶ There are some hints that wealthier countries are beginning to shift their focus toward fostering adaptation to warming outside their own borders. Relief organizations including Oxfam and the International Red Cross, foreseeing a world of worsening climate-driven disasters, are turning some of their attention toward projects like expanding mangrove forests as a buffer against storm surges, planting trees on slopes to prevent landslides, or building shelters on high ground.¶ Some officials from the United States, Britain and Japan say foreign-aid spending can be directed at easing the risks from climate change. The United States, for example, has promoted its three-year-old Millennium Challenge Corporation as a source of financing for projects in poor countries that will foster resilience. It has just begun to consider environmental benefits of projects, officials say.¶ Industrialized countries bound by the Kyoto Protocol, the climate pact rejected by the Bush administration, project that hundreds of millions of dollars will soon flow via that treaty into a climate adaptation fund.

### Long Term Financing Key

#### Foreign investment increases US manufacturing jobs and global economic growth

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

The gap between the demand and the supply of infrastructure services is large in developing countries, as it is difficult for developing countries to raise significant amounts of long-term financing, which is required for infrastructure investments. Putting a price tag on this gap requires making heroic assumptions as comprehensive and reliable data, which is required to calculate this gap, is unavailable.24 Fay et al (2011) estimate annual infrastructure needs in the range of US$1,250 billion to US$1,500 billion and a financing gap in the range of US$175 – 700 billion in developing countries in constant 2008 dollars for 2013 under different scenarios.25 They also estimate that financing for infrastructure projects amounts currently to roughly US$850 billion in developing countries. Assuming that this amount of financing continues to be available in the medium term, the estimated infrastructure financing gap would be between US$400 billion and US$650 billion per year.

37. What would be the impact on exports in advanced economies if this financing gap were to be closed? A US$1 increase in investment in developing countries is associated with a US$0.50 increase in imports.26 In 2009, about 70 percent of traded capital goods from low-income countries were sourced from high-income countries (see Table 1). A US$1 increase in investment in developing countries is therefore likely to be associated with a US$0.35 increase in exports from high-income countries. Assuming that an infrastructure gap in the developing world of around US$500 billion annually were to be closed, the associated demand for capital goods imports worldwide for infrastructure investment alone would correspond to US$250 billion, of which about US$175 billion would be sourced from high-income countries. This corresponds to about 7 percent of total capital goods exports from high-income countries in 2010.

38. For the United States, it has been estimated that US$165,000 worth of manufacturing exports in 2008 supported one job (U.S. Department of Commerce 2010). The OECD estimates that on average US$60,975 worth of manufacturing exports correspond to one job. These estimates suggest that closing the infrastructure gap in developing countries could create between 1.1 and 2.9 million jobs in advanced economies. While these figures might seem small when compared to total unemployment in advanced economies, they would constitute a significant increase in manufacturing jobs. In the U.S., exports currently support 2.7 million manufacturing jobs, and President Obama’s National Export Initiative aims at creating 2 million new jobs in the United States over the next five years by increasing exports.27 The proposed global infrastructure investment initiative could significantly support this objective.28

39. Of course, these calculations are based on simple correlations. Ultimately the effect of infrastructure investments on exports and employment will vary across countries and sectors, and will differ depending on the technology used, the possible substitution effects, and the future changes in global trade patterns. Capital goods, for example, are increasingly produced in developing countries, particularly in China. As wages in China rise and as technology progresses, Chinese exporters are moving up the value chain. China’s global export market share of construction equipment has increased more than twofold from 4.4 percent in 2005 to 10.2 percent in 2010. In 2011, China may overtake Japan and Germany in construction equipment exports (EIU 2011). Most of the cranes, tractors and steam turbines from China go to developing countries. In general, low-income countries tend to import as much in capital goods from other developing countries, in particular from China, as from high-income countries (Table 1).

40. A good example is power generation, which is a highly capital intensive form of infrastructure investment. Estimates from different types of power plants in India indicate that more than 60 percent and sometimes up to 90 percent of the cost estimates of turn-key power plants and substations are related to a few key mechanical devices, such as turbines and compressors, which have to be imported (Pauschert 2009). Turbines of larger power plants are generally produced in factories in the United States and Europe. But a significant share (about 40 percent to 50 percent) of capital for substations today is imported from emerging markets, such as India and China. As can be seen in Table 2, low-income countries import more power generating-equipment from China than from the United States

Simulations confirm that infrastructure investments in developing countries can significantly contribute to a global recovery and improve the trade balance in advanced economies. McKibbin, Stoeckel and Lu (2011) contrast the results of a permanent 1 percent increase of world GDP in government infrastructure investment versus an equivalent increase in current spending on goods and services in developing countries using a multicountry, multisector intertemporal general equilibrium model of the world economy (Figure 3).29 They find that a rise in current spending leads to only a small increase in output that dissipates over time as a larger stock of government debt acts as a drag on overall economic activity. In contrast, the authors estimate that with a rise in infrastructure investment, GDP in developing countries rises by almost 7 percent over a ten-year period. World GDP rises by about 2 percent. Because spending on infrastructure raises private returns to capital in emerging countries, more capital flows into these economies to finance the expansion of the government as well as the private sector. As a result, the trade balance of advanced economies improves by more than when the emerging country spending is purely on goods and services.

### Impacts: 3rd World Key Global growth

#### Investment in developing nations boosts global growth

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

63. Public debt and unemployment have reached uncomfortable levels in the United States and Europe. Without strong growth it will be difficult to reduce them significantly in the medium term, but the global growth outlook, and the growth outlook of advanced economies in particular, has weakened. The world needs a growth lifting solution that raises demand but does not add further to already high public debt levels in advanced economies. This solution could take the form of a global infrastructure initiative. Advanced economies could invest in bottleneck-releasing infrastructure projects that create jobs in the short term and raise competitiveness in the medium term. If projects are well chosen, they might be ultimately self-financing, either directly through user fees or indirectly through increases in fiscal revenues. Governments could also take steps to attract more private investors.

64. Since bottleneck-releasing, self-financing infrastructure investments are limited in advanced economies and since developing countries have become an increasingly important driver of global growth, this infrastructure initiative would also need to include developing countries. In November 2010, the G20 declared ―to boost and sustain global demand, foster job creation, contribute to global rebalancing, and increase our growth potential‖ through ―investment in infrastructure to address bottlenecks and enhance growth potential‖ (Group of Twenty 2010). It also highlighted the importance of focusing on concrete measures to reach the Millennium Development Goals and ―to make a tangible and significant difference in people’s lives, including in particular through the development of infrastructure in developing countries‖ (Group of Twenty 2010).

65. For developing countries, infrastructure investments can be a powerful vehicle for transforming their economies through enabling their businesses to work unimpeded and without electricity shortages, facilitating communication, expanding their markets, and, ultimately, helping them upgrade their technology. But the benefits of infrastructure investment do not stop there. Scaling up infrastructure investment in developing countries would generate much needed manufacturing jobs in advanced countries, raise their exports, reduce excess capacity, and support overall growth. A global infrastructure initiative, where advanced economies invest in bottleneck-releasing infrastructure projects and that closes the infrastructure financing gap of the developing world, could create a virtuous, self-reinforcing cycle were surplus global savings flow to support investment and growth in developing countries, which in turn would generate more import demand, thereby reinforcing global growth and putting the recovery on solid ground. The ―New New Normal,‖ a return of pre-crisis growth levels in advanced economies and strong growth in developing countries, could become a new reality.

### Future Uniqueness CP

#### Global Infrastructure Initiative is Key to Growth

Justin Yifu Lin and Doerte Doemeland, January 2012 This paper is a product of the Office of the Chief Economist, Development Economics Vice Presidency, “Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis,” Policy Research Working Paper 5940, World Bank, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/01/10/000158349\_20120110085008/Rendered/PDF/WPS5940.pdf

42. A global infrastructure initiative, if properly designed and implemented, could raise exports from and reduce unemployment in high-income countries, while reducing poverty and enhancing growth in developing countries. Infrastructure investment would raise the demand for capital goods from capital good-exporting countries, most of which are advanced economies, as well as raise their exports, employment, GDP, and, ultimately, fiscal revenues. It would also contribute to a diversification of the export base of some capital goods-exporting emerging economies, such as China, reducing their dependencies on export demand from a few high-income countries. A global infrastructure initiative could generate a virtuous cycle of global growth. As the income of developing countries is raised, their import demand for products produced around the globe would increase. Boosting exports in advanced economies would not only reduce unemployment and lift their growth, it would also reduce external borrowing needs, potentially unleashing more surplus global savings in support of investment and growth in developing countries. This in turn would lead to additional investment opportunities and potentially open up new markets. Ultimately, this could create a virtuous, self-reinforcing cycle where surplus global savings flows to support investment and growth in developing countries, which in turn would generate more import demand, thereby reinforcing global growth (Qureshi 2011). Such an initiative could support the global crisis recovery and help the world economy become more inclusive and stable.

## Federalism

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

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

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

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

#### Turn – The bank would centralize decisionmaking undermining local control

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

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## Budget DA

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

Washington Times, 2011

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

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

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

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

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

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

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

## Investment Tradeoff DA Link

#### **Investment funds are limited – the bank would tradeoff with status quo investments**

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

One of the main arguments for creating a national infrastructure bank is to encourage investment that would otherwise not take place. This investment is especially thought to be lacking for large, expensive projects whose costs are borne locally but whose benefits are regional or national in scope.33 A national infrastructure bank might help facilitate such projects by providing large amounts of financing on advantageous terms.34 For instance, an infrastructure bank could provide loans with very long maturities and allow repayment to be deferred until a facility is up and running.

Whether this would lead to an increase in the total amount of capital devoted to infrastructure investment is unclear. One purported advantage of certain types of infrastructure banks is access to private capital, such as pension funds and international investors. These entities, which are generally not subject to U.S. taxes, may be uninterested in purchasing the tax-exempt bonds that are traditionally a major source of project finance, but might be willing to make equity or debt investments in infrastructure in cooperation with a national infrastructure bank. If this shift were to occur, however, it could be to the detriment of existing investment, as the additional investment in infrastructure may be drawn from a relatively fixed amount of available investment funds. Even if it were to increase the total amount of infrastructure investment, an infrastructure bank may not be the lowest-cost means of achieving that goal. The Congressional Budget Office has pointed out that a special entity that issues its own debt would not be able to match the lower interest and issuance costs of the U.S. Treasury.35

## Politics

### PTX – Links

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

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

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

#### NIB unpopular—democratic opposition

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

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

#### NIB unpopular—Mica

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

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

### PTX – Links Ext.

#### NIB unpopular—Mica blocks

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

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

NIB unpopular in Congress—dead on arrival

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

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

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

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

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

# Counterplans

## CP: States

#### Text:

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

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

#### Contention Two is Solvency

States can create successful infrastructure banks without federal oversight

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

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

Create new public/private institutions. To finance the kind of major investments necessary to support the Next Economy, such as high-functioning global ports and gateways, or infrastructure that supports electric vehicles or clean technologies, states should establish a state infrastructure bank (SIB) or enhance it if one is already in place.

Beginning in 1998, when the federal government provided $150 million in seed funding for initial capitalization, SIBs have become an attractive financing tool for states. Since then, 33 states have established SIBs to finance transportation projects. Most of this support comes in the form of belowmarket revolving loans and loan guarantees. States are able to capitalize their accounts with federal transportation dollars but are then subject to federal regulations over how the funds are spent. Others, including Kansas, Ohio, Georgia, and Florida, capitalize their accounts with a variety of state funds and are not bound by the federal oversight which they feel helps accelerate project delivery. Other states—such as Virginia, Texas, and New York—are also examining ways to recapitalize their SIBs with state funds.

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

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

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

Under the 2005 Federal Highway Authorization bill, known as SAFETEA-LU, all states were given the authority to establish state and even regional infrastructure banks. This followed a period during the 1990s when at different times anywhere from 10 to 39 states were allowed to experiment with these banks under a series of federal pilot programs.

A state infrastructure bank (SIB) offers several major benefits. First, it allows a state to leverage existing scarce resources. States can build more projects with fewer dollars and accelerate construction, especially for projects whose economic benefits can be identified and captured. This approach ameliorates the impact of inflation on construction costs and allows benefits like job creation, private sector income and tax revenue to be realized sooner than they would be using traditional infrastructure investment.

Second, by offering an array of financing tools such as low-interest loans, refinancing and construction financing, an SIB can increase flexibility by tailoring financing packages to meet specific project needs. Closely related, infrastructure banks can facilitate projects that are financially tenuous by providing lines of credit or insurance.

Equally important, the availability of a menu of financing tools coupled with the ability to have other debt paid before the infrastructure bank loan is paid back can attract private capital and local government funding, further enhancing a state’s ability to husband scarce infrastructure funding resources.

A third benefit to creating an SIB is the opportunity for states to develop a self-renewable, insulated source of future capital. Simply put, an SIB recycles resources by re-loaning funds as they are repaid. The repaid funds effectively become state resources. In addition to increased leverage and additional flexibility, this allows states to develop and control their own source of capital.

### States Solvency

#### States solve better

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### States solve infrastructure

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

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

### AT: Federal Government is Key

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

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

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

### AT: Perm

#### Permutation still links to the solvency turns

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

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

## CP: Export/Import Bank

#### Text: The United States federal government should expand the export-import bank to include investments in transportation infrastructure.

#### We should expand the export-import bank to include infrastructure – it solves faster and is less controversial

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/

Last week, three Washington heavy-hitters brought a new contribution to the debate over a national infrastructure bank: They said we already have one. Mark Alderman of the Obama-Biden transition team, former U.S. Senator Evan Bayh, and Howard Schweitzer, former vice president of the Export-Import Bank co-wrote an op-ed for the Washington Post saying that the Export-Import Bank was already authorized and organized to do exactly what an infrastructure bank is supposed to do:¶ Is this what you had in mind, I-bank proponents? It's the Export-Import Bank -- but some experts believe it could serve the same function as a national infrastructure bank. Photo: GSA¶ Many of those pushing for an infrastructure bank say that public-private partnerships are part of the solution. This basic concept combines private capital with some form of public support to finance large projects. That is the Export-Import Bank’s bread and butter. Put another way, the United States already has a bank that knows how to balance investor return with lender (i.e., taxpayer) protection — often a major stumbling block to public-private deals.¶ They go on to say, “A newly expanded Export-Import Bank could facilitate private-sector investment in projects such as repairing roads and bridges, modernizing the energy grid, and maintaining our dams and levees — creating jobs while rebuilding the country.”¶ It’s a compelling argument, especially in the face of skepticism about creating a new quasi-government entity, especially in a political environment suspicious of Big Government. Some fear an I-bank will be too much like Fannie Mae and Freddie Mac; some would rather just stick with the TIFIA loan program; others want to encourage state infrastructure banks instead of a big national one. If making a few tweaks to an existing structure could yield the same benefits as a national infrastructure bank, isn’t that easier?¶ The Ex-Im bank has a similar financial model to the Kerry-Hutchison I-bank proposal (which the president has adopted) and a similar governing structure – an independent, though government-owned, corporation. Even better, the Ex-Im Bank makes money for the U.S., depositing money into the Treasury, not taking it.¶ “The Ex-Im bank already has some of that staff in place and an established history of success, fiscal responsibility, and a low risk to taxpayers,” said bank expert Scott Thomasson of the Progressive Policy Institute. “And there actually is a window to expand the mandate of the Ex-Im Bank if there is political support to do that.”¶ 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.”

#### Export-import solves – avoids legislative action and politics

Howard Schweitzer,the first chief operating officer of the Treasury Department’s Troubled Assets Relief Program, was senior vice president and general counsel of the Export-Import Bank Mark L. Alderman, was a member of the Obama-Biden presidential transition team, and Evan Bayh, former U.S. senator from Indiana, “We already have the infrastructure bank we need, Published: September 29, 2011, http://www.washingtonpost.com/opinions/we-already-have-the-infrastructure-bank-we-need/2011/09/27/gIQA59TI8K\_story.html¶ In the American Jobs Act, President Obama reiterated his call for a national infrastructure bank, building on bipartisan legislation introduced in March by Sens. John Kerry (D-Mass.), Kay Bailey Hutchison (R-Tex.) and Mark Warner (D-Va.). The media are awash with calls to pass legislation creating a government bank to support private-sector investment in projects that would revitalize our domestic infrastructure, which most experts agree is in disrepair. At the same time, Washington is desperately searching for tools to stimulate a struggling economy.¶ Yet even if the president’s proposal were enacted tomorrow, it would be years before such a new bank would be fully operational. While Congress and the administration debate the appropriate means of financing infrastructure, there is a way to begin financing projects and creating jobs today.¶ The Export-Import Bank of the United States, a self-funded government corporation that carries the full faith and credit of the United States, has been financing multibillion-dollar infrastructure projects and creating American jobs for more than 75 years. Why haven’t you heard of the bank? Because it finances these projects in Jakarta, Santo Domingo and Sofia, instead of in Chicago, Dallas and Boston.¶ The bank — known to many in Washington as the Ex-Im Bank — creates American jobs by financing U.S. exports when commercial financing is not available or when its support is necessary to level the playing field with foreign subsidized exports. The bank has underwritten and financed large projects involving the export of American products for projects such as the development of a toll road in Romania, an airport in Ecuador and a pipeline in Peru, to name just a few. Its loan-loss history over 75 years hovers at less than 2 percent. After years of watching the bank turn a profit for taxpayers, Congress passed legislation in 2007 that enabled the bank to fund its own loan-loss reserve and operations through the fees it charges borrowers, rather than through an annual congressional appropriation. Effectively, its operations since then have cost taxpayers nothing, with its earnings going to the U.S. Treasury’s general account.¶ Despite its name, as a matter of policy the Export-Import Bank finances only U.S. exports. The singularity of that mission and the bank’s apolitical approach have helped it build a bipartisan base of support in Congress. Yet the bank could do much more — and has the legal authority to do so. The bank’s congressional mandate gives it broad authority to operate “a general banking business,” meaning the institution can develop innovative financing solutions that combine public and private capital while protecting the taxpayer. A newly expanded Export-Import Bank could facilitate private-sector investment in projects such as repairing roads and bridges, modernizing the energy grid, and maintaining our dams and levees — creating jobs while rebuilding the country.¶ Many of those pushing for an infrastructure bank say that public-private partnerships are part of the solution. This basic concept combines private capital with some form of public support to finance large projects. That is the Export-Import Bank’s bread and butter. Put another way, the United States already has a bank that knows how to balance investor return with lender (i.e., taxpayer) protection — often a major stumbling block to public-private deals.¶ The Export-Import Bank also has in place the internal decision-making, credit and operational functions to execute a new, non-political mandate regarding domestic infrastructure finance. The bank is governed by a bipartisan board of directors, all presidential appointees confirmed by the Senate. It is overseen by a presidentially appointed inspector general and by the Senate Banking Committee, the House Financial Services Committee and appropriators in both houses of Congress.¶ Not only would adding domestic infrastructure projects to the bank’s mandate avoid the inevitable delay that would occur should Congress pass legislation creating a national infrastructure bank, but the federal government’s most recent attempt to create a government lender to finance large projects — the Energy Department loan guarantee program — has fallen far below expectations.¶ If the federal government is to play a role in addressing the country’s serious infrastructure needs, policymakers should decide whether they want to make a difference now. They can broaden the Export-Import Bank mission and put the bank to work in prudently but aggressively financing domestic infrastructure projects while Congress and the administration consider whether to create a new federal agency, or they can allow our infrastructure to further deteriorate while that debate takes place. The president should ask Congress simply to resolve to encourage Ex-Im to act now. This green light is all that’s needed to begin rebuilding America and creating jobs.

## CP: Decentralization/Deregulation

#### Text: The United States Federal government should decentralize transportation infrastructure development to states and localities.

#### An NIB will not avoid top-down management, decentralization is key to solving all of case

Randal O'Toole, Cato Institute Senior Fellow working on urban growth, public land, and transportation issues. Transportation: Top Down or Bottom Up? May 23, 2011

http://www.cato-at-liberty.org/transportation-top-down-or-bottom-up/

America’s transportation system needs more centralized, top-down planning. At least, that’s what the Brookings Institution’s Robert Puentes advocates in a 2,350-word article in the May 23 Wall Street Journal.

If that seems like an unlikely message from America’s leading business daily, perhaps it is because Puentes couched it in terms such as “spending money wisely,” solving congestion, and “adhering to market forces.” But not-so-hidden behind these soothing phrases is Puentes real argument: “America needs to start directing traffic” by developing “a clear-cut vision for transportation.” Such a vision “must coordinate the efforts of the public and private sectors.”

“The big question,” Puentes says, “is how much it will all cost.” This is a diversion from the real big question, which is: who will do this coordination? In Puentes view, the answer is smart people in Washington DC who can best determine where to make “critical new investments on a merit basis” using such tools as an infrastructure bank.

One of the results of that system, Puentes makes clear, will be more spending on transit so that commuters have “more transportation choices.” He specifically mentions the ridiculous Subway-to-the-Sea being planned in Los Angeles. Never mind that, as the Antiplanner has previously noted, Puentes’ goal of extending transit to more jobs is both extremely expensive and will have little impact on actual transit ridership.

The real problem with America’s transportation system is not a lack of vision but too many people with visions trying to impose them on everyone else through lengthy and expensive planning processes. A bridge or road that once might have taken five years to plan and build now takes twenty or more, if it ever gets built at all, thanks to all these visions. (Of course, when it comes to expensive rail transit projects, Puentes thinks Congress should waive environmental impact statements and other expensive planning processes.)

The real solution is not more top-down planning but a bottom-up system that responds to actual user needs rather than to inside-the-beltway visions. That means funding transportation out of user fees and not out of infrastructure banks, which–no matter how “merit-based” in intent–will alway end up being politically driven.

In a bottom-up system, individual transit and highway agencies (or better yet transit and highway companies) would be funded by their users, so they would have incentives to provide and expand service where needed by those users. Such a system would be far more likely to relieve congestion, save energy, and meet Puentes’ other goals.

Thanks to our heavily planned and heavily subsidized transit industry, the average urban transit bus uses 80 percent more energy per passenger mile than Amtrak. But that’s not because Amtrak is energy-efficient: the average Amtrak train uses 60 percent more energy per passenger mile than intercity buses. Unlike both Amtrak and urban transit buses, private intercity buses aim to meet market demand, not political demand, so they tend to fill about two-thirds of their seats while Amtrak fills only half and transit buses less than a quarter.

Achieving a bottom-up transportation system means getting the federal government out of transportation decision-making. One way would be to have states take over federal gas taxes as proposed by New Jersey Representative Scott Garrett.

To the extent that the federal government distributes any transportation funds to states at all, they should be distributed using formulas, not grants, because formulas are much harder to politically manipulate. Ideally, the formulas should give heavy weight to the user fees collected by each state to reinforce, rather than distract from, the bottom-up process.

Puentes’ top-down vision will waste hundreds of billions of dollars on little-needed transportation projects while it does little to relieve congestion, save energy, or reduce auto emissions. A bottom-up process will save taxpayers money and increase mobility, which should be the real goals of any transportation policy.

## CP: Increase Squo Programs

#### Davis-Bacon has politically inhibited a federal bank – fully funding state bank is an option

Jeff Davis, writer for *transportation weekly*, 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. DAVIS: Jeff Davis, Transportation Weekly. A week ago today, the most brilliant essay I’ve read on transportation all year, on the front page of the New York Times by Matt Bye talked about the fact that the long-term investment was bundled in with the short-term stimulus money and the stimulus bill and the entire public debate was about short-term job creation and how -- he makes the case that that has made it much harder to politically justify going into debt for a long-term infrastructure investment because the entire focus of success or failure was the short-term job creation and not the billing of the infrastructure itself in a cost-effective manner.

So in general, you’ll remember that Congress authorized state infrastructure banks 15 years ago, and it died on the vine because no one could agree if Davis-Bacon would apply to subsequent rounds of funding or not. You know, the question of creating, as Ms. DeLauro said, middle-class jobs and middle-class income versus more bang for the buck on the project. And there’s been infrastructure bank for wastewater that have been passed by committees several times in the last five years, won’t go into the Senate because of Davis-Bacon. So, in general, from everybody, if you have to pick what’s the top priority here, building infrastructure for 50 years in the most cost-effective manner possible or

short-term middle-class job creation, and specifically from Ms. Trottenberg and Ms. DeLauro, is full Davis-Bacon applicability a non-negotiable starting point for any infrastructure bank at the state or federal level?

#### Market mechanism is empirically incorrect, squo programs solve the case

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

The idea of targeting investment to "projects of national and regional significance" has merit, but it's questionable whether an entity beholden to the President and Congress would really be able to do that. As part of SAFETEA-LU, Congress actually created a program called Projects of National and Regional Significance. It appropriated $1.7 billion for the PNRS program, intended to fund a handful of projects of great benefit but with such high costs or benefits beyond the jurisdiction of a single state or region that those entities could or would not fund them. What happened? Members of Congress proceeded to earmark the entire $1.7 billion, parceling it out to 25 highway, railroad, intermodal, and transit projects.

If Congress wants to assist the financing of infrastructure projects on a sustainable basis (i.e., as a real bank would), it could expand a number of existing programs that already do this-in transportation, we have TIFIA, Private Activity Bonds, and State Infrastructure Banks, and in water and wastewater there are State Revolving Funds. All of these are intended as self-sustaining activities, in which revenues from the funded projects pay back the loans, which enables new projects to be funded.

## CP: Gas Tax Increase (Reverse Politics)

#### Plan avoids political backlash – a Gas tax is unpopular

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.

## CP: Laundry List CP

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

Viable Near-term Action Items

Congress can unlock state and private investment by reducing state borrowing costs and allowing flexibility for alternative revenue sources and private capital for financing solutions. Specifically, federal policymakers should:

Give states the flexibility to use alternative capital and revenue sources. Billions of dollars to finance new infrastructure could be raised every year from private-sector capital and untapped revenue sources like tolls and user fees. Neither is a free lunch, but they are potential alternatives to a federal tax increase or deficit spending. New tolls are banned on interstates, except for a federal pilot program that allows only three states to use tolling to replace worn-out roads. Congress should eliminate this cap and make tolling options available for any interstate improvement project. In addition, Congress should promote PPPs by loosening rules on government contracting and concessions and provide grants and other assistance to develop state PPP programs. Congress should also help states attract private capital by allowing broader use of tax-favored structures preferred by many investors for other types of investments, like master limited partnerships (MLPs) and real estate investment trusts (REITs).

Help reduce states' borrowing costs. Municipal bonds are exempted from federal taxation, lowering interest rates on state debt by making them more attractive investments. But federal tax exemptions are more restricted for state private activity bonds (PABs), which pass along low state borrowing rates to private companies and independent authorities investing in projects with public benefits, such as water treatment facilities and airports. Congress should provide long-term certainty by eliminating limits on the amount of PABs states can issue and permanently exempting PABs from the federal Alternative Minimum Tax (AMT) to increase buyer demand. The federal cost of the AMT exemption is around $20 million per year in lost revenues—a modest amount that will result in tens of billions of dollars in low-cost financing for urgently needed projects.

Streamlining regulatory reviews and financing approval processes and improving program management can speed project delivery and reduce regulatory uncertainty for project sponsors. Specifically, federal policymakers should:

Coordinate and enhance existing finance programs. A modest but viable alternative to an infrastructure bank is coordinating the many loan programs for infrastructure that are already spread across various federal agencies and departments. There is bipartisan agreement that these programs need improvement—for example, TIFIA needs more credit experts to keep up with its growing workload, and the Department of Energy's loan program needs better oversight and transparency. Congress should modernize the outdated Federal Financing Bank (FFB), a nearly dormant government corporation now controlled by the Treasury Department, and convert it into an independent credit review and oversight office. The new, more active FFB could perform technical, "back office" functions like risk assessments and loan tracking for agency credit programs. Using a central team of experts would avoid duplicative staff across programs, speed approvals, and minimize taxpayer exposure to unforeseen loan risks.

Cut red tape for new projects. On March 22, 2012, President Obama issued a new executive order to "improve performance of federal permitting and review of infrastructure projects." But the order is short on substance and long on studies and steering committees. A bolder step would be eliminating duplicative reviews by merging them into single-track proceedings wherever possible. The approval process for natural gas pipelines is a model; an interagency agreement established a "one-stop" review conducted by the Federal Energy Regulatory Commission (FERC) with input from other government agencies. President Obama could order similar streamlining without congressional approval and without waiting months for a steering committee plan.

Conclusion

None of these steps is a silver bullet for fulfilling the United States' infrastructure needs. But big successes may be hard to come by before the 2012 election. In the meantime, small victories are better than none. The modest steps offered here could unlock hundreds of billions of dollars in new investment over the next decade. With pragmatic solutions that do not carry big federal price tags, Congress and President Obama can offer some relief to the states and local governments who know firsthand that the country cannot afford to wait any longer to make these investments.

## CP: Federal Capital Budget

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

A. Federal Capital Budget- Definition and Historical Background One idea is to create a federal capital budget by separating capital expenditures from other expenses (referred to as “current” or “consumption” expenditures).61 However, this description is a bit simplistic. The federal capital budget proposals extend to changing the financing and accounting of federal capital expenditures. While the private sector and most U.S. states employ some version of a capital budget, the U.S. federal budget currently functions on a consolidated basis where capital and consumption expenditures are comingled.62 Over the years, a wide range of capital budgets have been proposed to modify the federal budget. Depending on the goal of the proposal, a federal capital budget could re-arrange federal spending in

the budget, or else may come with actual changes in fiscal policies, or it could spread capital expenditures over a number of years.63 While the budget literature does not provide explicit differentiations among these federal capital budget proposals, we specify four categories for an easier understanding of the disseminated concepts.

• Basic segmentation model. The basic segmentation format would include an operating budget and a capital budget. The operating budget would show the current expenditures, in terms of revenues and expenses. The capital budget would present federal spending on capital projects and revenues allocated for these expenditures. The simple separation of federal capital spending from current expenditures may be justified by the desire to improve the public’s understanding of fiscal policies and gain acceptance for federal investment.

• Capital debt budget model. Other proposals target changes in fiscal and federal debt policies.

For example, a version of capital budget proposes capital spending be financed, in part or in total, by borrowing.64 The capital budget deficit would not be recorded in the federal budget towards the total federal deficit. Some claim that the operating budget should be balanced in this case and only capital investments be financed by debt.65 This is similar with the capital budget version employed by the states. This proposal would shield federal investment from growing current expenditures.

• Depreciation model. Taking the private sector practice as a model, another proposal shows the depreciation of capital as an expense in the operating budget and as income in the capital budget, balancing out in the consolidated budget.66 In this way, the cost of capital is spread over the useful life of an asset. Only a portion of federal spending on capital, the depreciation, would appear in the annual federal spending. This would eliminate the problem of spikes in federal investment, due to current upfront budgeting of the full cost of capital projects.67

• Fusion model. Most of the capital budget proposals do not limit themselves to just one model, but include accounting for depreciation, a cap on federal investment, and exclude federal investment from the federal deficit. The rationale is to reach multiple goals, from increased transparency of the budgeting process and public acceptance, to government spending and borrowing, to more federal investment in infrastructure.

These and other federal capital budget proposals have been debated for more than half a century. In 1949, the Hoover Commission recommended the separation of current consumption and capital expenditures, based on the example of government corporations under the Government Corporation Control Act of 1945.68 While not adopted as such, it formed the basis of the Special Analysis D of the budget, which is an annual review of “investment, operating, and other outlays,” still in use today.69 In 1967 the Budget Concepts Commission strongly rejected a capital budget and decided to use the current consolidated format.70 The commission considered the model in which capital spending would be excluded from the calculation of federal deficit and only capital spending would be financed by borrowing. The arguments used included the non-economic budgetary considerations of the federal government, resulting spending bias towards “brick and mortar” investments, and accounting and definition issues in the implementation of a capital budget.71

The issue resurfaced in the 1980s, when President Reagan’s Treasury Secretary Donald Regan and Martin Feldstein, chairman of the Council of Economic Advisers, tried to get the administration to back a federal capital budget.72 OMB was against the proposal, citing similar arguments with the 1967 Commission.73 Interest waned when Regan—the biggest advocate of the proposal—left the administration in 1987.74

The second Clinton administration revived the debate in 1996 when a Commission to Study Capital Budgeting was set up in connection with the congressional debate around a balanced budget. This Commission also rejected the use of a capital budget. Their arguments were similar with the previous cases and emphasized the unique character of the federal government and its role in changing the allocation of resources, needed especially during recession times. Further, the Clinton Commission could not agree on a single definition of capital or determine whether the current budget format creates a deficit or a surplus in federal investment. 75

These experiences illustrate that the issue of moving to a federal capital budget is not a partisan one as it was proposed, and rejected, during both Republican and Democratic administrations. The main problem was that the idea never gained intellectual support.76 In the budget literature, it is considered a “budget reform perennial”—an idea reoccurring over time with no major improvements from\_ one proposal to the next and with little chance of passage in Congress.77 Capital budget proposals have failed over the years due to political opposition from Congress or from inside the administration, and technical opposition from federal budgeteers.

While the opposition from federal budgeting executives is likely to remain unchanged, today there is once again raising political interest in the idea.78 The lessons from prior efforts show that the passage of any type of capital budget proposal requires support from both the White House and Congress.79

### State CP

#### State and private industry managed infrastructure avoids environmental catastrophe and increases efficiency

Chris Edwards, the director of tax policy studies at Cato, October 21, 2011 “Infrastructure Projects to Fix the Economy? Don't Bank on It,”

http://www.cato.org/publications/commentary/infrastructure-projects-fix-economy-dont-bank-it

In a recent television ad for her network, MSNBC host Rachel Maddow stands below the Hoover Dam and asks whether we are still a country that can "think this big" — Hoover Dam big. The commercial is built on the assumption that American greatness is advanced by federal spending on major infrastructure projects. If I had my own television commercial, I'd stand in front of the wreckage of Idaho's Teton Dam,which, like the Hoover Dam, was built by the federal Bureau of Reclamation. The Teton Dam was based on shoddy engineering and a flawed economic analysis. It collapsed catastrophically in 1976, just a year after it was built. Increased infrastructure spending has bipartisan support in Washington these days. President Obama wants a new federal infrastructure bank, and members of both parties want to pass big highway and air-traffic-control funding bills. The politicians think these bills will create desperately needed jobs, but the cost of that perceived benefit is too high: Federal infrastructure spending has a long and painful history of pork-barrel politics and bureaucratic bungling, with money often going to wasteful and environmentally damaging projects. When the federal government 'thinks big,' it often makes big mistakes. For plenty of examples of the downside of federal infrastructure, look at the two oldest infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation. Their histories show that the federal government shouldn't be in the infrastructure business. Rather, state governments and the private sector are best equipped to provide it.The Corps of Engineers has been building levees, canals and other civilian water infrastructure for more than 200 years — and it has made missteps the entire time. In the post-Civil War era, for example, there were widespread complaints about the Corps' wastefulness and mismanagement. A 1971 book by Arthur Morgan, a distinguished engineer and former chairman of the Tennessee Valley Authority, concluded: "There have been over the past 100 years consistent and disastrous failures by the Corps in public works areas ... resulting in enormous and unnecessary costs to ecology [and] the taxpayer." Some of the highest-profile failures include the Great Mississippi Flood of 1927. That disaster dramatically proved the shortcomings of the Corps' approach to flood control, which it had stubbornly defended despite outside criticism. Hurricane Katrina in 2005 was like a dreadful repeat. The flooding was in large part a man-made disaster stemming from poor engineering by the Corps and misdirected funding by Congress. Meanwhile, the Bureau of Reclamation has been building economically dubious and environmentally harmful dams since 1902. Right from the start, "every Senator ... wanted a project in his state; every Congressman wanted one in his district; they didn't care whether they made economic sense or not," concluded Marc Reisner in his classic history of the agency, Cadillac Desert. The dam-building pork barrel went on for decades, until the agency ran out of rivers into which it could pour concrete. Looking at the Corps and Reclamation, the first lesson about federal infrastructure projects is that you can't trust the cost-benefit analyses. Both agencies have a history of fudging their studies to make proposed projects look better, understating the costs and overstating the benefits. And we've known it, too. In the 1950s, Sen. Paul Douglas (D-Ill.), lambasted the distorted analyses of the Corps and Reclamation. According to Reisner, Reclamation's chief analyst admitted that in the 1960s he had to "jerk around" the numbers to make one major project look sound and that others were "pure trash" from an economics perspective. In the 1970s, Jimmy Carter ripped into the "computational manipulation" of the Corps. And in 2006, the Government Accountability Office found that the Corps' analyses were "fraught with errors, mistakes, and miscalculations, and used invalid assumptions and outdated data." Even if federal agencies calculate the numbers properly, members of Congress often push ahead with "trash" projects anyway. Then-senator Christopher Bond of Missouri vowed to make sure that the Corps' projects in his state were funded, no matter what the economic studies concluded, according to extensive Washington Post reporting on the Corps in 2000. And the onetime head of the Senate committee overseeing the Corps, George Voinovich of Ohio, blurted out at a hearing: "We don't care what the Corps cost-benefit is. We're going to build it anyhow because Congress says it's going to be built." As Morgan noted in his 1971 book, these big projects have often damaged both taxpayers and ecology. The Corps, Reisner argues, has "ruined more wetlands than anyone in history" with its infrastructure. Meanwhile, Reclamation killed wetlands and salmon fisheries as it built dams to provide high-cost irrigation water to farmers in the West — so they could grow crops that often compete with more efficiently grown crops in the East. Taxpayers are double losers from all this infrastructure. They paid to build it, and now they are paying to clean up the environmental damage. In Florida, for example, the Corps' projects, along with federal sugar subsidies, have damaged the Everglades. So the government is helping to fund a multibillion-dollar restoration plan. In the West, federal irrigation has increased salinity levels in rivers, necessitating desalination efforts such as a $245 millionplant in Yuma, Ariz. And in a large area of California's San Joaquin Valley, federal irrigation has created such toxic runoff that the government is considering spending up to $2 billion to fix the damage, according to some estimates. When the federal government "thinks big," it often makes big mistakes. And when Washington follows bad policies, such as destroying wetlands or overbuilding dams, it replicates the mistakes across the nation. Today, for instance, Reclamation's huge underpricing of irrigation water is contributing to a water crisis across much of the West. Similar distortions occur in other areas of infrastructure, such as transportation. The federal government subsidizes the construction of urban light-rail systems, for example, which has caused these systems to spring up across the country. But urban rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road. Similar misallocation of investment occurs with Amtrak; lawmakers make demands for their districts, and funding is sprinkled across the country, even to rural areas where passenger rail makes no economic sense because of low population densities. When the federal government is paying for infrastructure, state officials and members of Congress fight for their shares of the funding, without worrying too much about efficiency, environmental issues or other longer-term factors. The solution is to move as much infrastructure funding as we can to the state, local and private levels. That would limit the misallocation of projects by Congress, while encouraging states to experiment with lower-cost solutions. It's true that the states make infrastructure mistakes as well, as California appears to be doing by subsidizing high-speed rail. But at least state-level mistakes aren't automatically repeated across the country.

The states should be the laboratories for infrastructure. We should further encourage their experiments by bringing in private-sector financing. If we need more highway investment, we should take notes from Virginia, which raised a significant amount of private money to widen the Beltway. If we need to upgrade our air-traffic-control system, we should copy the Canadian approach and privatize it so that upgrades are paid for by fees on aviation users. If Amtrak were privatized, it would focus its investment where it is most needed — the densely populated Northeast. As for Reclamation and the Corps, many of their infrastructure projects would be better managed if they were handed over to the states. Reclamation's massive Central Valley irrigation project, for example, should be transferred to the state of California, which is better positioned to make cost and environmental trade-offs regarding contentious state water issues. Other activities of these two agencies could be privatized, such as hydropower generation and the dredging of seaports. The recent infrastructure debate has focused on job creation, and whether projects are "shovel ready." The more important question is who is holding the shovel. When it's the federal government, we've found that it digs in the wrong places and leaves taxpayers with big holes in their pockets. So let's give the shovels to state governments and private companies. They will create just as many jobs while providing more innovative and less costly infrastructure to the public. They're ready.

# Kritik Links

### Ruralism

#### The bank would exclude rural areas

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

Second, selection of the projects with the highest returns might conflict with the traditional desire of Congress to assure funding for various purposes. Rigorous cost-benefit analysis might show that the most attractive projects involve certain types of infrastructure, while projects involving other types of infrastructure have less favorable cost-benefit characteristics. This could leave the infrastructure bank unable to fund some types of projects despite local support. Third, financing projects through an infrastructure bank may serve to exclude small urban and rural areas because large, expensive projects tend to be located in major urban centers. Because of this, an infrastructure bank might be set up to have different rules for supporting projects in rural areas, and possibly also to require a certain amount of funding directed to projects in rural areas. For example, S. 652 proposes a threshold of $25 million for projects in rural areas instead of $100 million in urban areas. Even so, the $25 million threshold could exclude many rural projects.