# Infrastructure Bank NEG

Infrastructure Bank NEG 1

\*\*\*Topicality\*\*\* 3

Increase 4

\*\*\*States CP\*\*\* 5

CP Solvency 6

CP Doesn’t Link to PTX 8

A2 Perm 9

\*\*\*Politics\*\*\* 10

Links 11

\*\*\*Econ\*\*\* 14

Banks =/= Solve Econ 15

Investment =/= Increase Econ 19

\*\*\*Solvency\*\*\* 21

Bank Fails - TF 22

Bank Fails- Generic 24

Bank Fails – Loan Guarantees 26

## \*\*\*Topicality\*\*\*

### Increase

#### 1) Interpretation- increase means to \_\_\_\_

#### Violation: NIB doesn’t increase investment- just shifts funding

James Pethokoukis, July 14, 2012, an official CNBC contributor and a columnist and blogger at the American Enterprise Institute, http://ricochet.com/main-feed/The-CBO-just-poured-cold-water-on-Obama-s-idea-for-a-national-infrastructure-bank

But a new report from the Congressional Budget Office seems skeptical of the idea in practice, at least as it concerns surface transportation projects: “At least initially, however, an infrastructure bank would probably generate neither significant new revenues for surface transportation nor significant new interest from private-sector investors, when considered as a share of current investment in surface transportation infrastructure.” Among the problems, according to CBO: a) most current highway spending is for projects too small to meet the minimum size requirements commonly proposed for an infrastructure bank; and b) an NIB might merely shift projects from being funded by state governments to the federal government, resulting in no net increase in investment.

## \*\*\*States CP\*\*\*

### CP Solvency

#### States Solve Best- empirics prove

Puentes 11- senior fellow with the Brookings Institution’s Metropolitan Policy Program where he also directs the Program's Metropolitan Infrastructure Initiative, State Transportation Reform, <http://www.bafuture.org/sites/default/files/State%20T> ranspo%20Reform%20Brookings%202.11.pdf

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 below market revolving loans and loan guarantees. States are able to capitalize their accounts with federal transportation dollars but are then subject to federal regulations over how the funds are spent. Others, including Kansas, Ohio, Georgia, and Florida, capitalize their accounts with a variety of state funds and are not bound by the federal oversight which they feel helps accelerate project delivery. Other states—such as Virginia, Texas, and New York—are also examining ways to recapitalize their SIBs with state funds. 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 solve best- Fast timeframe and sustainable funding

Slone 11- CSG Senior Transportation Policy Analyst, State Infrastructure Banks, <http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks>

State infrastructure banks can help states stretch their state and federal dollars and meet the demands of financing large, impactful, long-term infrastructure projects. When government agencies and authorities must seek yearly grants and allocations to finance projects, the completion of those projects can be delayed for months or years. State infrastructure banks can identify, promote and lend money to creditworthy transportation projects to ensure they’re built within a reasonable timeframe and in a financially sustainable way. And because these banks act as a “revolving fund,” more projects can ultimately be financed.

#### States Solve Best- Creates Competitive federalism that decreases costs

Salam 12- author of National Review Online’s The Agenda, Yonah Freemark on State Infrastructure Banks, http://www.nationalreview.com/agenda/287217/yonah-freemark-state-infrastructure-banks-reihan-salam

I am increasingly convinced that state-based rather than federal approaches to improving the quality of infrastructure are the right way to go, but that this should flow from a revival of competitive rather than cartel (or cooperative) federalism. That is, instead of offering federal grants for the establishment of state infrastructure banks, let’s do something more drastic, e.g., either nationalize Medicaid or block grant the program, thus containing a crippling cost driver for state governments, and then allow states to pursue a wide range of different economic development strategies, some of which will be infrastructure-centric, others of which will be more human-capital-centric, etc. This is, of course, an oversimplification of very complex issues.

**States can do it- encourages Private sector and avoids political sway**

**Council on Foreign Relation 11** (Christopher Alessi reports and writes on global economics for CFR.org. Previously, he worked as a London-based correspondent for Institutional Investor magazine. “Banking on U.S. Infrastructure Revival” 9/8. http://www.cfr.org/economics/banking-us-infrastructure-revival/p25782)AK

Some **opponents** to the bank **think the most efficient way to address** the United States' **infrastructure** needs **is by encouraging private consortia to operate projects at the state level**. "A **federal infrastructure bank would be swayed by political criteria and would be tempted to invest in low-return projects, such as roads to nowhere**," Manhattan Institute senior fellow Diana Furchtgott-Roth argued in a May 26 piece for Real Clear Markets.

### CP Doesn’t Link to PTX

#### States Solve Best- Bipartisan support and avoid deficit spending

Freemark 12- Yonah, Journalist at the Transportation Politic, How to Pay for America's Infrastructure, <http://www.theatlanticcities.com/politics/2012/01/solution-americas-infrastructure-woes/845/>

America's transportation infrastructure is in desperate need of an update, and most politicians would agree that more funding should be dedicated the nation’s highways and mass transit systems. Yet there is little consensus about where to find those new funds and Democrats and Republicans disagree stridently over whether Washington should increase its role. One potentially fertile place for compromise may be in the form of state infrastructure banks, which have gained support from both the left and right in recent months. These public agencies, provided some government funds, would be designed to encourage significant private investment. And they would do so with little interference from the national government. "I-banks" could lend states, municipalities, and perhaps even private sector agencies a significant portion of project funds that would later be paid back through user fees, public-private partnerships, or dedicated taxes. 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.

### A2 Perm

#### Perm fails and states solve best- federal funding takes years

Slone 11- CSG Senior Transportation Policy Analyst, State Infrastructure Banks, <http://knowledgecenter.csg.org/drupal/content/state-infrastructure-banks>

When transportation projects are financed in a traditional way, funds from a state department of transportation or the federal Highway Trust Fund are spent and two types of risk are assumed. Projects are at risk of delay as state officials wait for the state or federal funds to become available, which may increase the costs and delay the project’s benefits. Secondly, states face the risk that a poorly selected project will fail to produce social or economic benefits and tie up scarce capital resources that could have gone to other potentially more successful projects. Both of those risks are diminished with state infrastructure bank financing. First, projects don’t have to wait for funding and delays and cost overruns are avoided. Secondly, a state infrastructure bank has a built-in project evaluation process. Projects are assessed based on their financial viability, which provides a level of economic discipline that is not always present with traditional state project funding. Better, more benefit-producing projects can be the result.

## \*\*\*Politics\*\*\*

### Links

Republicans hate the plan

Council on Foreign Relation 11 (Christopher Alessi reports and writes on global economics for CFR.org. Previously, he worked as a London-based correspondent for Institutional Investor magazine. “Banking on U.S. Infrastructure Revival” 9/8. http://www.cfr.org/economics/banking-us-infrastructure-revival/p25782)AK

Congressional Democrats (WSJ)--and President Obama--are Washington's biggest proponents of an independent, national infrastructure bank. They argue that the bank would incite private investment and spur job creation in the short term--while strengthening the foundations of the economy in the long run. But many congressional Republicans say that, as with the stimulus package implemented during the height of the financial crisis, U.S. workers would not immediately feel the effects of infrastructure spending, if at all. Senate Republican leader Mitch McConnell says more government spending (NYT) would only strangle already-anemic economic growth.

#### Republicans are against a National Infrastructure Bank- Tac increases

The Hill 2011 (Alexander Bolton “Dems seek to fracture GOP unity in the Senate” November 2 Lexisnexis)AK

A senior Senate Democratic aide predicted Tuesday that not a single Republican would vote for the latest jobs package of $50 billion in infrastructure spending combined with a $10 billion national infrastructure bank. Senate Democratic leaders hope to vote Thursday on the jobs bill, but they expect the outcome to follow the same lines as the previous two jobs measures Republicans voted unanimously to block. The first vote was on Obama’s entire plan; the second highlighted aid for emergency responders. Both triggered a couple defections from the Democratic Caucus. Asked on Tuesday if he was frustrated, Reid responded, “I’m not frustrated, I’m terribly disappointed.” Obama will try to ramp up pressure on Republicans by visiting Washington’s Key Bridge on Wednesday, one of many bridges around the country eligible for funding if the infrastructure bill passes. The event comes two weeks after Vice President Biden held a rally on Capitol Hill to seek votes on the administration’s plan. Democratic operatives are quick to note that they never expected to pass the jobs bills through the Senate, adding that the multiple roll calls will put Republicans on the defensive and force them to explain on the 2012 campaign trail why they voted no on measures that poll well with voters. Two of the Democrats’ targets, Sens. Olympia Snowe (R-Maine) and Mark Kirk (R-Ill.), said they would likely vote against the infrastructure bill because it would raise the income tax. A third, Sen. Susan Collins (R-Maine), said she is reviewing it. Senate Republican Leader Mitch McConnell (Ky.) has exasperated Reid by keeping his conference tightly unified throughout the fall’s debate on stimulus spending. Reid lashed out at Republicans on Tuesday, accusing them of acting “like puppets” of Americans for Tax Reform (ATR) President Grover Norquist, a conservative activist. “My Republican friends, those poor folks, are being led like puppets by Grover Norquist. They’re giving speeches that we should compromise on our deficit. Never do they compromise on Grover Norquist. He is their leader,” Reid said. Reid and other Democrats have lashed out at a taxpayer pledge, signed by most Republicans in Congress, that opposes any bills that call for a net increase in taxes. “Harry Reid should read the Taxpayer Protection Pledge. It is a written promise by legislators to their voters. Not to ATR or me,” Norquist tweeted in response to Reid. The GOP opposition has highlighted the inability of Democrats to completely unify their own caucus, undermining their messaging strategy. Senior Democratic staffers have expressed frustration that much of the media coverage of the jobs bills has focused on the few Democratic defectors instead of Republican opposition. Centrist Republicans’ chief problem with the jobs bills is the way it is funded, with various tax increases on income over $1 million. Senate Democrats this fall lifted the income tax threshold in Obama’s plan from $250,000 annually for families to the $1 million mark. The amended version might have won over a few skeptical Democrats, but none on the other side of the aisle. “I’m not sure I understand the mindset of being intractable and intransigent. If they truly wanted to be working on a bipartisan basis, why aren’t they willing to work with Republicans to figure out alternative offsets?” asked Snowe. The Maine centrist, who has been targeted by Tea Party activists in the 2012 primary, said she could support ending tax breaks for oil and gas companies, or ethanol production. But she has balked at raising taxes on families earning over $1 million, which Republicans say would affect job-creating small businesses. Snowe, a member of the Finance Committee, might support increasing taxes on income over $1 million, but argued it should be part of comprehensive reform of the tax code that ignites economic growth. “My concern is if we start using piecemeal aspects of the code to underwrite other parts of the budget that we’ll never get to the point of doing true tax reform,” she said. Kirk called the latest installment of the Obama jobs agenda “another partisan exercise.” He said his fellow centrist Republicans are more likely to support a national infrastructure bank that would be funded by a repatriation tax holiday. Kirk and Sen. Charles Schumer (D-N.Y.) have teamed up on legislation to combine those proposals. “The Kirk-Schumer legislation will be more bipartisan,” said Kirk. “My hope is to get the mod squad on board,” he added, using a nickname for centrist Republicans. “The structure will be far more attractive to Republicans.” A repatriation tax holiday would allow corporations to bring overseas profits back to the U.S. at a reduced tax rate. However, the Obama administration and House Democrats have raised major concerns about repatriation. McConnell signaled Tuesday that Republicans could join Democrats in boosting infrastructure funding if paid for in the right way. “Infrastructure is pretty bipartisan and pretty popular. So I think at some point we’ll come together here,” McConnell said. “I can’t give you a precise answer at this point as to what I would support or oppose, but everyone knows we have a crumbling infrastructure.” McConnell said Republicans would offer an alternative infrastructure bill when Reid moves the Democratic jobs plan. Obama recently traveled to Kentucky to highlight the need to fix ailing bridges in McConnell’s home state. Senate Environment and Public Works Committee Chairwoman Barbara Boxer (D-Calif.) and Sen. James Inhofe (Okla.), the panel’s ranking Republican, are close to a deal on a two-year $109 billion transportation authorization bill. They need to find an additional $12 billion in funding. Sen. Ben Nelson (Neb.), the upper chamber’s most conservative Democrat, said he would consider voting for the Democratic jobs bill, even though it raises taxes on income, an indication of the popularity of infrastructure spending in Congress. Nelson voted with Republicans to block the last two Democratic jobs bills. Sen. Jim Webb (D-Va.), who is not seeking reelection in 2012, said he would vote for the motion to begin debate on the Democrats’ infrastructure jobs bill but would not support its final passage. He has consistently opposed increasing income taxes.

#### The National Infrastructure Bank is unpopular with Republicans because it increases spending.

**Greenhouse 11**

(Steven, labor and workplace reporter for The New York Times, “A Union Plan for Financing Construction ”, The New York Times, <http://www.nytimes.com/2011/06/29/business/29labor.html>)

A.F.L.-C.I.O. officials said they planned to work with [Deutsche Bank](http://topics.nytimes.com/top/news/business/companies/deutsche_bank_ag/index.html?inline=nyt-org) and other financial institutions in the hope of coming up with hundreds of millions of dollars to retrofit large commercial buildings. Many building owners are hesitating to do such retrofits because they are highly leveraged and do not have the cash to make the investments. The A.F.L.-C.I.O. hopes its $10 billion will provide an incentive for banks and hedge funds to develop financing vehicles to make such projects happen. “America’s construction workers need work and want to work,” Mr. Trumka will say, according to his prepared remarks, noting that unemployment is 16 percent in the industry. “Never in modern times has so much construction work needed to be done.” A.F.L.-C.I.O. officials said they also hoped their plan would help persuade Congress to create a National Infrastructure Bank or a program similar to the expired Build America Bonds program, in which the federal government subsidized bonds issued by states and municipalities to finance bridges, airports or other infrastructure. While labor unions and many Democrats support such measures to create jobs, many Republicans oppose them because they will increase federal spending.

#### Infra Bank Unpopular with conservatives

Chris Isidore 2011, 9/7/11, writer for CNN Money- America’s Job Crisis, “Infrastructure Bank: Fixing how we fix roads”, http://money.cnn.com/2011/09/07/news/economy/jobs\_infrastructure/index.htm

But despite support from such typical adversaries as the U.S. Chamber of Commerce and the AFL-CIO, getting I-Bank legislation through Congress will not necessarily be easy. One problem is that it's not fast-acting. As a result, those who argue for immediate stimulus would much rather pursue projects that are ready to go. "An I-Bank will not create any jobs on day one; it probably won't create jobs on day 365," said Janet Kavinoky, executive director of transportation and infrastructure for the Chamber of Commerce. "In my view it could take three years." Another problem is that the cost, though limited, isn't nothing. It could take $5 billion in seed money to get the I-Bank rolling. Some proposals call for $5 billion of seed money every year for several years. "It may be an idea whose time has come," said Kavinoky. But there's also a good chance it gets crowded out by what's going on with debt and deficit reduction." And conservatives don't like government's involvement in the I-Bank, even as facilitator. They think it will merely add more bureaucracy. "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," said Ronald Utt, a senior research fellow at the Heritage Institute, a conservative think tank. "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."

## \*\*\*Econ\*\*\*

### Banks =/= Solve Econ

#### NIB won’t solve short term econ and has little effect on long term

Chris Isidore 2011, 9/7/11, writer for CNN Money- America’s Job Crisis, “Infrastructure Bank: Fixing how we fix roads”, http://money.cnn.com/2011/09/07/news/economy/jobs\_infrastructure/index.htm

But despite support from such typical adversaries as the U.S. Chamber of Commerce and the AFL-CIO, getting I-Bank legislation through Congress will not necessarily be easy. One problem is that it's not fast-acting. As a result, those who argue for immediate stimulus would much rather pursue projects that are ready to go. "An I-Bank will not create any jobs on day one; it probably won't create jobs on day 365," said Janet Kavinoky, executive director of transportation and infrastructure for the Chamber of Commerce. "In my view it could take three years." Another problem is that the cost, though limited, isn't nothing. It could take $5 billion in seed money to get the I-Bank rolling. Some proposals call for $5 billion of seed money every year for several years. "It may be an idea whose time has come," said Kavinoky. But there's also a good chance it gets crowded out by what's going on with debt and deficit reduction." And conservatives don't like government's involvement in the I-Bank, even as facilitator. They think it will merely add more bureaucracy. "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," said Ronald Utt, a senior research fellow at the Heritage Institute, a conservative think tank. "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."

#### Plan can’t solve econ

Brian Greene 11(Writer for US NEW, 10/6/11, “Is Obama's National Infrastructure Bank the Answer on Jobs”, http://www.usnews.com/news/articles/2011/10/06/is-obamas-national-infrastructure-bank-the-answer-on-jobs)

The call for a National Infrastructure Bank in the United States is directly linked with the sluggish pace of job creation. According to the U.S. Department of Transportation, every $1 billion invested in infrastructure supports nearly 35,000 American jobs. With a languid economy and unemployment stuck at 9.1 percent, proponents of an infrastructure bank view investment in building projects as an immediately necessary step toward long-term financial stability. Director of the National Economic Council Gene Sperling voiced his support for the National Infrastructure Bank, saying, "There is nothing fiscally disciplined about deferred maintenance." Sperling explained that investing in infrastructure is not a quick fix for America's economic woes but the start of a continuing strategy to create jobs while improving the country and enticing new businesses to invest in America. The emphasis on the long-term benefits of the National Infrastructure Bank permeated the discussion on Thursday. Investment in public works would put a considerable number of people to work in the coming years, but, as Sen. Mark Warner of Virginia warned, "This is not a silver bullet." Rather, supporters of the proposal view it as one of an array of options for how America can improve its dire economic climate. Support for the National Infrastructure Bank from Democratic members of Congress and senior White House officials is unsurprising, but the Progressive Policy Institute's forum also featured leaders of multinational businesses. Dan DiMicco, the chairman and CEO of Nucor, North America's largest steel manufacturing company, explained, "What's good for America is good for Nucor." DiMicco clarified by saying that his company is interested in changing the trend of sending domestically manufactured steel abroad for building projects. Ed Smith, CEO of Ullico Inc., a major provider of insurance and financial solutions for labor unions, described his company's idea of the "double bottom line" approach. The strategy involves looking for investments that produce both profits and jobs, a criteria that infrastructure investment fits well. Daryl Dulaney, president and CEO of Siemens, was open in his concern that doing business in the United States was getting too expensive. He explained that a Siemens operation that produces wind turbines in Fort Madison, Iowa, had to rebuild railways in the area to transport its product. "How many companies are going to do that?" he asked the panel. Large businesses with overseas cash like the ones represented at the forum are possible targets for capitalization of the National Infrastructure Bank. While the idea is not explicitly spelled out in the president's bill, Warner noted that one of the ideas making the rounds in Washington is to allow big corporations to repatriate funds from overseas tax-free with the caveat that a set percentage of the cash must be used to fund the infrastructure bank.

#### The National Infrastructure Bank cannot get the economy out of the recession - it slows down funding by almost double compared to the status quo.

**Utt 11**

(Ronald, Herbert and Joyce Morgan Senior Research Fellow at The Heritage Foundation, “The Limited Benefits of a National Infrastructure Bank”, The Heritage Foundation, <http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank>)

For some advocates—especially the President—these banks are seen as mechanisms to propel the economy forward out of the lingering recession into an era of greater prosperity and more jobs. Sadly, all evidence indicates that this just isn’t so. As far back as 1983, the General Accounting Office (now the Government Accountability Office) reviewed an earlier infrastructure-based stimulus program and observed that although the program was enacted during the worst of the recession, “implementation of the act was not effective and timely in relieving the high unemployment caused by the recession.” Specifically, the GAO found that: Funds were spent slowly and relatively few jobs were created when most needed in the economy. Also, from its review of projects and available data, the GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided, and (2) project officials’ efforts to provide em­ployment opportunities to the unemployed ranged from no effort being made to work­ing closely with state employment agencies to locate unemployed persons.[[5]](http://www.heritage.org/research/testimony/2011/10/the-limited-beneftis-of-a-national-infrastructure-bank" \l "_ftn5) Infrastructure-based stimulus programs have been a disappointment, in large part because of time delays in getting programs underway, projects identified and approved, and money spent. More recently, supporters of the American Recovery and Reinvestment Act (ARRA) claimed that it would focus on shovel-ready projects, but USDOT recently reported to this committee that as of July 2011—two and a half years after the enactment of the ARRA—just 61 percent of the authorized transportation funds had been spent. Perhaps contributing to this is the fact that the Federal Railroad Administration required 12 months to set up a mechanism to receive, review, and approve rail infrastructure projects authorized by the ARRA. In both of these cases, the stimulus funds were being spent through existing federal, state, and local channels by departments, managers, and employees with many years of experience in the project approval business. In large part, these delays are not due to any particular institutional failing but simply to the time it takes to establish guidelines and rules for project submission, for outside parties to complete the request, and for USDOT to review the many requests submitted and pick the most promising, perhaps with modifications, and fulfill the contractual details of awarding the contract. Once the award is made to state and local entities, they in turn must draw up the RFP (and perhaps produce detailed engineering plans as appropriate), put the contract out for bid, allow sufficient time for contractors to prepare bids, review submitted bids, and finally accept the winning contract. It is at this point that money can be spent on the project, and the time that elapses from the beginning to the end of the beginning can easily exceed a year or more. In the case of an infrastructure bank, such delays will be much longer—perhaps even double that described above. In the case of the above example, the assumption is that the newly authorized stimulus money would flow through an institutional “infrastructure” of well-established channels staffed by experienced people. In the case of the proposed infrastructure banks, no such administrative structure exists, and one will have to be created from scratch once the enabling legislation is enacted. In the case of some of the proposals, this creation process could take a while. President Obama’s most recent plan, for example, first requires the selection, recommendation, and Senate confirmation of a seven-person bipartisan board appointed by the President. The President will also appoint, and the Senate confirm, a Chief Executive Officer who in turn will select the bank’s senior officers—Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, General Counsel, Chief Operation Officer, and Chief Lending Officer—subject to board approval. The Chief Lending Officer will be responsible “for all functions relating to the development of project pipelines, the financial structuring of projects, the selection of infrastructure projects to be reviewed by the board, and related functions.” So once all of this administrative effort is completed and the bank is ready to go, then the process of fulfillment, as described in the paragraph just prior to the preceding paragraph, would then be in effect. As is obvious, dependence upon this prospective bank will further delay the time in which the project money would be spent, but in the process, it would also incur substantial administrative expenses that might better be used for actual infrastructure repair and investment.

### Investment =/= Increase Econ

#### Transportation infrastructure investment has no effect on jobs and generates a net negative effect – tradeoffs between regions.

Wachs 11

(Martin, Professor Emeritus of Civil and Environmental Engineering and City and Regional Planning at the University of California, Berkeley, and former Director of the Institute of Transportation Studies and of the University of California Transportation Center. He is also former Chair of the Department of Urban Planning at UCLA. He is currently a Senior Research Associate at the RAND Corporation., “Transportation, Jobs, and Economic Growth”, <http://www.uctc.net/access/38/access38_transportation_growth.shtml>)

By building an effective transportation network, government transportation spending draws jobs to those industries that benefit from the investment. At the same time, this shift of resources moves jobs away from activities that would have been financed in the absence of the transportation investment. So while transportation investment can "create jobs," it can also destroy them. The overall effect is positive only when it creates more and better jobs, or more and better economic activity, than it eliminates. Determining whether a project's effects are going to be positive or negative can be difficult. A transportation investment might shift jobs, not just across industries and sectors, but also across counties and states. Even a transportation investment that destroys more jobs than it creates can look good, especially in the short term, from the perspective of the winning state or city. Gains and losses might be unevenly distributed, temporally as well as spatially. For example, building an ill-advised rail line might give a local economy a short-term boost in employment, only to saddle taxpayers with large operating deficits in the future. From a national perspective, and over time, gains that are immediate and obvious can be—and often are—outweighed by diffuse losses elsewhere. Suppose federal money was used to build a new highway link between a port and freight rail hub. The new link might cut delivery time within the region. The prospect of improved inventory management, increased sales, and other sources of profit would draw cargo to that port, increase port jobs, expand employment related to regional highway goods movement, and increase business at the rail hub. At the same time, it would likely reduce traffic to competing ports in other regions and create exactly the same chain reaction—in reverse—in those other areas. Employment would be lost as business is attracted to the competing port. The economy as a whole would be better off only if the increased productivity in the target area exceeded the cost of the highway investment and the loss of business in competing regions. Not all transportation investments meet these criteria. In the example above, suppose the highway link was built not at the high-productivity port, but instead, because of political considerations, in a region that has a less-busy port with little congestion. While more people in the less-productive region are employed in the construction of the facility, people in the more-productive region are likely to lose jobs, and the overall effect is likely to be negative. That is precisely why a "bridge to nowhere" in one particular state is a poor national investment even though it may benefit construction workers and others where it is built. In Los Angeles, the Alameda Corridor freight rail project greatly improved connectivity between the ports and the ground freight shipment system, but some of its benefits must be offset by calculating the growth that it redirected away from other ports such as Seattle or Oakland, given that shipping is a highly competitive economic sector.

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

### Bank Fails - TF

#### The plan takes too long for solvency.

**Ehrlich 10** (Everett is the president of ESC Company, a Washington, DC-based economics consulting firm. Ehrlich served in the Clinton Administration as under secretary of commerce for economic affairs. He also served as vice president for strategic planning and chief economist of Unisys Corporation, senior vice president and research director for the Committee for Economic Development, and assistant director of the Congressional Budget Office. Ehrlich was also the executive director of the CSIS Commission on Public Infrastructure under Co-Chairmen Ambassador Felix Rohatyn and Senator Warren Rudman. “A National Infrastructure Bank:

A Road Guide to the Destination” October <http://www.progressivefix.com/wp-content/uploads/2010/09/09.2010-Ehrlich_A-National-Infrastructure-Bank.pdf>)AK

In a nutshell, Rohatyn and I propose that we collapse all of the federal “modal” transportation programs into the Bank. Any entity – whether state, local, or federal – would have standing to come to the Bank with a proposal requiring federal assistance. The Bank would be able to negotiate the level and form of such assistance based on the particulars of each project proposal. It could offer cash participation or loan guarantees, underwriting or credit subsidies, or financing for a subordinated fund to assure creditors. Any project requiring federal resources above some dollar threshold (on a credit scoring basis) would have to be approved by the Bank. Additionally, we imagine that some part of the funding for existing modal programs would be converted into block grants sent directly to the states and large cities to be spent on projects too small for the Bank’s oversight. Such grants could also be used for those programs desired by the states that do not pass muster on terms proposed by the Bank. This is more a vision of infrastructure policy than a blueprint for the immediate future. Admittedly, it will take years and a meticulous reorganization to produce this configuration. But the best way to measure our progress in infrastructure policy (and the merits of the administration’s proposal) is not to see how quickly we adopt the Bank’s specific features, but to see how the Bank addresses the underlying infrastructure policy flaws it is designed to fix.

#### Squo solves, bank takes too long to solve for impacts

Howard Schweitzer et al. 11 (Provides strategic advisory services to U.S. and multinational clients on a variety of issues involving the U.S. government, “We already have the infrastructure bank we need”, 9/29/11, 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. 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 of the United States from 2005 to 2008. Mark L. Alderman was a member of the Obama-Biden presidential transition team. They are principals in Cozen O’Connor Public Strategies. Evan Bayh, a former U.S. senator from Indiana, is a senior adviser to Apollo Global Management.

### Bank Fails- Generic

#### Banks would be ineffective

Council on Foreign Relation 11

(Christopher Alessi reports and writes on global economics for CFR.org. Previously, he worked as a London-based correspondent for Institutional Investor magazine. “Banking on U.S. Infrastructure Revival” 9/8. http://www.cfr.org/economics/banking-us-infrastructure-revival/p25782)

Experts remain divided, too, using historical precedent to bolster competing arguments. The Heritage Foundation's Ronald D. Utt wrote in an August 30 memo that the American Recovery and Reinvestment Act (PDF) of 2009 (ARRA)--the stimulus package--included $48.1 billion for transportation infrastructure development that had a limited effect on the job market and larger economy. "Based on 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," Utt wrote. In a September 6 entry for 24/7 Wall Street, media entrepreneur Douglas A. McIntyre contended that an infrastructure bank would face the same bureaucratic conditions that rendered the 2008 stimulus ineffective.

#### A NIB would be ineffective because of the lack of differentiation between the state and federal government.

**Staley 10 (**Samuel is a senior research fellow at Reason Foundation and associate director of the DeVoe L. Moore Center at Florida State University in Tallahassee where he teaches graduate and undergraduate courses in urban planning, regulation, and urban economics. “A National Infrastructure Bank Can Provide Important Benefits If Mission and Scope Are Defined Narrowly” May 13 http://reason.org/news/show/infrastructure-bank-testimony

Theory, however, doesn't always square with reality. First, an infrastructure bank is not a substitute for other forms of public funding. On the contrary, the debt issued by the bank is a liability for the agency, not an asset. At best, an infrastructure bank can supplement federal funding for infrastructure by leveraging projects through borrowing, but loans or government guaranteed bonds do not supplant federal funding. The potential benefit is in realigning financing costs with more realistic timetables for paying off the loans (or bonds). Debt must be paid back, either through future tax revenues or through user fees, so the funds are not "free" in an administrative or economic sense. Second, public debt is also not issued in a vacuum. It must compete for private dollars in a global market place. If a NIB lends $1 billion for a new road, those funds are diverted from the private sector, either from the general public or private investment funds. Issuing too much debt, which often occurs at lower interest rates because of the implicit government guarantee, or funding projects with few benefits, will crowd out private investment in other parts of the economy that may be more productive. Debt is not a free fiscal lunch. Third, a poorly structured infrastructure bank runs the risk of political manipulation, much like what was experienced with Fannie Mae and Freddie Mac when best business practices for mortgage lending were subverted by political goals and objectives. For those projects that can be funded through user fees, this risk of political manipulation is relatively small because the criteria are straightforward: users value the project at sufficiently high levels they will pay for the entire project. The loan simply bridges the gap between the funds needed to construct the facility and the time the facility generates revenues to pay for the cost. For projects not fully funded by user fees, the risk is higher because achieving social goals becomes an important justification for public financing of a project. Thus, absent self-funding user fee projects, infrastructure banks are susceptible to making investment decisions that are highly distorted by political interference. This is particularly true if its mission is interpreted broadly, or the criteria for providing the loans or grants are loose, poorly defined, or hard to measure. Loans must be made using objective criteria directly linked to the benefit expected. Investments in roads, for example, should have meaningful impacts on mobility and travel times in order to justify loans or other bank investments. Fourth, an unanticipated outcome of a NIB might be to weaken the authority of state and local governments in setting policy and investment priorities. This might be more likely if a NIB is established without a clear national or federal project mandate incorporated into its mission and purpose. Currently, states and local governments are given deference in funding since they are often in the best position to evaluate the potential benefits of infrastructure investments. A NIB that has wide discretionary authority over funding may well undermine this implicit recognition of the efficiencies provided by local knowledge of needs and requirements. While a national infrastructure bank has several potential benefits, policymakers run the risk of asking the bank to do "too much" or create a management organization that is simply incapable of efficiently and objectively evaluating the viability of projects or their public benefits. Infrastructure banks must have a clearly defined role and its activities must be directly tied to specific activities and projects that have measurable outcomes.

### Bank Fails – Loan Guarantees

#### Loan guarantees won’t work under the current financial conditions.

**Bosworth and Milusheva 11**

(Barry Bosworth is a senior fellow in economic studies at The Brookings Institution. He has also taught at Harvard University and the University of California at Berkeley and has served as a staff economist for the Council of Economic Advisors. Sveta Milusheva is an undergraduate at the university of Emory. “Innovations in U.S. Infrastructure Financing: An Evaluation” 5/16/11 (most recent citation) <http://www.brookings.edu/~/media/research/files/papers/2011/10/20%20infrastructure%20financing%20bosworth%20milusheva/1020_infrastructure_financing_bosworth_milusheva.pdf>) AK

Given that S&L governments already have access to low-cost tax-favored borrowing, an infrastructure bank is not really an attractive financial innovation in the U.S. context. Because of the size and liquidity of its municipal bond market, the U.S. situation is different from that of other countries that have used infrastructure banks as a means of providing sub-governments with access to financial markets. It is difficult to see how the NIB could function as a lender except by offering subsidies in excess of those implied by tax-exempt bonds. Yet, it will face a cost of funds that normally exceeds the tax-exempt rate. Thus, it is hard to visualize the NIB operating as a bank making loans to S&L governments, unless it envisions limiting S&L access to the market for tax-exempt municipals. It might be able to compete with private lending sources because, even if it renounced the notion of an explicit federal guarantee, investors will attach an implicit guarantee to its activities–as occurred with the government-sponsored agencies in the mortgage market. Yet, past experience suggests that implicit guarantees have a substantial probability of becoming real costs.