# BUY AMERICA DA

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#### A. Our DA is unique – Canada is expecting to participate in US public infrastructure projects

Rayner May 8th -- Martin is an independent consultant with more than 27 years of experience working in customs brokerage and international trade logistics -- held executive-level positions with a number of leading trade service providers across Canada, International Trade Compliance Strategies, 5-8, http://tradecompliance.ghy.com/2012/05/buy-america-exceptionalism/

Aiming to eventually alleviate this situation, the Canada-US Procurement Agreement vaguely committed both governments to “explore the scope for a long term government agreement” that would deepen, on a reciprocal basis, procurement commitments beyond those in the WTO GPA and NAFTA. Nothing to date however appears to have emerged from these exploratory discussions. Until such time as a sensible, comprehensive, long-term agreement regarding cross-border government procurement is arrived at, Canadian exporters looking to participate in public infrastructure projects in the United States will still have to contend with a daunting maze of federal, state and municipal regulations specifying geographic production requirements and will therefore need to ascertain the root source of funding and corresponding legislation in order to determine whether or not they possibly qualify for exemptions based on wholly arbitrary thresholds (e.g., is the construction project in question valued at greater than $7.777 million or does it exceed $10,074,262?) as a result of U.S. international commitments under the NAFTA Chapter 10 and the WTO GPA (if applicable, that is – 13 states are not signatories).

#### B. Link - Buy America procurement provisions will be tacked onto the plan – the need to score political points in an election year guarantees

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With an election looming at the end of the year, it seems highly improbable that any more federal legislation involving significant new government infrastructure spending proposals saddled with contentious “Buy America” provisions will be advanced by the current administration. That said, there are still numerous appropriation bills pending before Congress to fund the U.S. government through 2012 and beyond – any of which could be subject to amendments by lawmakers eager to protect domestic suppliers and/or score political points irrespective of (or oblivious to) government procurement agreements already in place. Further complicating matters are various “Buy America” measures at the state level that continually arise in response to pressure by organized labour and industry lobby groups such as the Alliance for American Manufacturing. An example of one such action is California’s Assembly Bill 1097 signed into law by incoming Governor Jerry Brown last October that allows public transit systems in the state to set their own requirements for the minimum percentage of American-made content and components in federally funded buses and rail cars. As a result, transit agencies in California can now impose a higher U.S. content minimum, in addition to the federal requirement of 60 per cent (provided they don’t increase the purchase price beyond certain thresholds). “With our economy still feeling the effects of ‘the great recession,’ we need to keep working to create every job we can,” said Democratic representative Nancy Skinner, the author of the bill. “AB 1097 supports American jobs and the recovery of manufacturing at no cost to state or local governments.” Many other examples could be cited of similar protectionist initiatives in various states across the country within the past year. In light of the foregoing patchwork of laws, it’s little wonder so much confusion exists in the U.S. supply and distribution chain these days about what is or is not subject to “Buy America” requirements. Aiming to eventually alleviate this situation, the Canada-US Procurement Agreement vaguely committed both governments to “explore the scope for a long term government agreement” that would deepen, on a reciprocal basis, procurement commitments beyond those in the WTO GPA and NAFTA. Nothing to date however appears to have emerged from these exploratory discussions. Until such time as a sensible, comprehensive, long-term agreement regarding cross-border government procurement is arrived at, Canadian exporters looking to participate in public infrastructure projects in the United States will still have to contend with a daunting maze of federal, state and municipal regulations specifying geographic production requirements and will therefore need to ascertain the root source of funding and corresponding legislation in order to determine whether or not they possibly qualify for exemptions based on wholly arbitrary thresholds (e.g., is the construction project in question valued at greater than $7.777 million or does it exceed $10,074,262?) as a result of U.S. international commitments under the NAFTA Chapter 10 and the WTO GPA (if applicable, that is – 13 states are not signatories). One of the more clearly positive outcomes of the dispute regarding the “Buy America” measures in the Recovery Act was a provision in the Canada-US Procurement Agreement offering a “fast track” consultation process to address future concerns related to procurement issues, such as new legislation. While yet to be put to the test, in the case of the American Jobs Act and its scaled-down Rebuild American Jobs sequel, the Canadian government immediately declared its readiness in both instances to utilize this expedited process to obtain waivers for Canadian exporters from the “Buy America” exclusions similar to those secured with respect to the Recovery Act (only sooner and, presumably, with more practical effect). “Buy America” provisions will most likely continue to bedevil the issue of government procurement for the simple reason that the arguments in their favour are compelling, practically valid, and overwhelmingly popular.

#### It would be normal means – all federal funded transit investments would fall under the Buy American Act

Pollin and Baker 10 Robert Pollin is a professor of economics and co-director of the Political Economy Research Institute (PERI) at the University of Massachusetts-Amherst. Dean Baker is the co-director of the Center for Economic and Policy Research. New Labor Forum > Volume 19, Number 2, Spring

The Buy American Act requires that all federally-funded transit investments be built with at least 60 percent of their components produced in the U.S., and that the assembly also be performed within the U.S. As such, any initiative such as this to expand bus production and bus service throughout the United States would necessarily mean most of the production will be done by U.S. workers.10

#### C. 1st impact – Joint US-Canada Security Operations. Expanding Buy America now jeopardizes US-Canadian border security operations

Washington Post 11 9-21, http://www.tradereform.org/2011/09/disgusting-anti-buy-america-editorial-from-wapo/

THE AMERICAN Recovery and Reinvestment Act of 2009, a.k.a. “the stimulus,” had its pluses and minuses. But few would dispute that some of the worst bureaucratic hassles and international disputes associated with that $825 billion measure stemmed from its protectionist “Buy America” provision, which prohibited the use of imported steel on tens of billions of dollars’ worth of infrastructure and building modernization projects. Yet President Obama proposes to do it all over again. Or so it would seem from the text of his American Jobs Act , which would require the use of U.S.-made “iron, steel, and manufactured goods” on roughly $80 billion of proposed road, transit and school construction. This is a word-for-word repetition of the Recovery Act’s language, which was, in turn, a dramatic extension of previous “Buy America” rules for steel, which had applied only to highway construction. Superficially patriotic, the provision harmed American workers and businesses by artificially raising the dollar cost and administrative complexity of projects. It was not until March of this year that the Energy Department finally issued a 53-page book to explain how “Buy America” and its myriad implementing regulations affected energy-efficiency grants. Sample topic: “What is a ‘manufactured good’?” The Buy America rule also angered U.S. trading partners, as protectionist legislation tends to do. Some of the conflict was ameliorated by a proviso ensuring that the rule would be enforced consistent with international trade agreements. But more was required to settle the issue with Canada, whose companies are part of a cross-border supply chain serving infrastructure projects that has grown up under the North American Free Trade Agreement. Canadian provinces threatened to retaliate. It took months to settle this completely unnecessary battle, through an agreement exempting Canada that went into effect in February 2010. Yes, the president’s new bill includes another pledge that international treaties will be respected. But, as was the case with the Recovery Act, most of the funds will be channeled through state governments, and most U.S. international trade obligations do not apply when states and municipalities are the procuring entities. And, yes, contractors can get a waiver if using all-American products would increase the cost of the project by more than 25 percent or if necessary goods aren’t manufactured or available in the United States. But that’s a cumbersome and time-consuming process — economic stimulus for lawyers, not construction workers. Not surprisingly, Canadian officials are up in arms about this news; their exemption from the Recovery Act’s Buy America provision expires at the end of this month, and they are wondering whether they’ll have to do the whole thing over. It’s not the best time for another tiff with our northern neighbors, since the Obama administration is in the middle of separate talks with Canada on integrating the two countries’ border security operations and facilitating the safe flow of goods. Mr. Obama, having learned from the Recovery Act that “shovel-ready” public works projects often aren’t, should have hesitated before adding this extra layer of regulation to his jobs bill. And that’s not to mention the negative signal this sends about the U.S. commitment to free trade. There’s still time for Congress to take it out.

#### And, US Canadian relations key to environment and stopping air pollution

US department of State, May 2008, “Background Note: Canada”, <http://www.state.gov/r/pa/ei/bgn/2089.htm> AL

The U.S. and Canada also work closely to resolve trans-boundary environmental issues, an area of increasing importance in the bilateral relationship. A principal instrument of this cooperation is the International Joint Commission (IJC), established as part of the Boundary Waters Treaty of 1909 to resolve differences and promote international cooperation on boundary waters. The Great Lakes Water Quality Agreement of 1978 (as amended in 1987) is another historic example of joint cooperation in controlling trans-boundary water pollution. The two governments also consult regularly on trans-boundary air pollution. Under the Air Quality Agreement of 1991, both countries have made substantial progress in coordinating and implementing their acid rain control programs and signed an annex on ground level ozone in 2000. In late 2007, Canada and the U.S. began discussions aimed at negotiating a new annex to the Air Quality Agreement which will increase cooperation in combating cross-border air pollution in the form of particulate matter.

#### And, that causes extinction

Driesen, Professor of Law, Syracuse, Buffalo Environmental Law Journal, Fall, 2002 / Spring, 2003

Air pollution can make life unsustainable by harming the ecosystem upon which all life depends and harming the health of both future and present generations. The Rio Declaration articulates six key principles that are relevant to air pollution. These principles can also be understood as goals, because they describe a state of affairs [\*27] that is worth achieving. Agenda 21, in turn, states a program of action for realizing those goals. Between them, they aid understanding of sustainable development's meaning for air quality. The first principle is that "human beings. . . are entitled to a healthy and productive life in harmony with nature", because they are "at the center of concerns for sustainable development." n3 While the Rio Declaration refers to human health, its reference to life "in harmony with nature" also reflects a concern about the natural environment. n4 Since air pollution damages both human health and the environment, air quality implicates both of these concerns. n5

#### D. 2nd impact - The BUY AMERICAN clause decimates international economic cooperation which turns the aff

Prasad 9 Senior Fellow, Global Economy and Development, The Brookings Institution,(Eswar, http://www.brookings.edu/interviews/2009/0203\_buy\_american\_prasad.aspx)

The “Buy American” clause included in the current version of the fiscal stimulus plan last week has prompted many concerns from trading partners around the globe. What’s at stake for our trading partners and emerging markets? The Buy American clause puts short-term political expediency and a narrow set of economic interests ahead of the much broader benefits of free trade to American consumers. It also sets back the cause of international economic cooperation and multilateralism that the new administration was expected to usher in. Erecting barriers to trade could disrupt world trade if other countries retaliated with their own protectionist measures (as they are likely to do). These barriers will ultimately be a further blow to the U.S. economy as well as the global economy. Q. How would you rate the political prospects for the “Buy American” clause? What about the political and economic pressures surrounding the effort? In these difficult economic times, it is natural that politicians clutch at straws. Protecting domestic industries from foreign competition has a knee-jerk appeal, but the effort is likely to backfire if it sets off a trade war with other countries. This would mean more jobs lost, higher prices for many goods, and a more prolonged recession. Politicians' efforts would be far better spent coming together to design an effective and broad stimulus package that gets the economy back on its feet and improves its competitiveness in the long run. Q. What does the insertion of the clause signal for global trade and global economic cooperation for the months ahead? The world economy is in a fragile state, with economies mired in recession and the confidence of consumers and firms shattered. It is a particularly inopportune time to trigger a trade war, which would compound the downward spiral of confidence and weak economic activity. The U.S. should lead by example, setting standards for free trade that other countries could take their lead from. By contrast, the "Buy America" clause in the stimulus bill would be a perfect case of the U.S. leading the world down a path of self-destructive protectionism by shooting itself in the foot.

## LINK EXTENSIONS

#### The DOT will push Buy America on businesses

Carolinas AGC 10 AGC of America co-sponsored a forum, 12-15, National & Local Leaders Rally for Federal Infrastructure Investment

U.S. Transportation Secretary Ray LaHood today unveiled a new U.S. Department of Transportation 'Buy America' webpage that will help American businesses reap the full benefits of the Obama Administration's historic investments in transportation infrastructure. Speaking at a Building America's Future Policy Forum in Charleston, South Carolina this morning, Secretary LaHood announced this latest effort to promote Buy America compliance by consolidating and improving access to Buy America provisions across all DOT agencies on one centralized webpage.

#### Infrastructure investments will use Buy America for procurement

Carolinas AGC 10 AGC of America co-sponsored a forum, 12-15, National & Local Leaders Rally for Federal Infrastructure Investment

"The Obama Administration is making historic investments in America's infrastructure - investments that lay the foundation for our long-term economic health while creating good-paying jobs right now," said Secretary LaHood. "We're also committed to maximizing the economic benefits of these infrastructure investments through Buy America provisions that keep American companies healthy and families working." Buy America provisions ensure that transportation infrastructure projects are built with American-made products. Through Buy America, the Department of Transportation supports an entire supply chain of American companies and their employees, maximizing the economic benefit of infrastructure investments.

#### This is particularly true for federal transportation investments

Alliance for American Manufacturing 10 Buy America Works: Longstanding United States Policy Enhances the Job Creating Effect of Government Spending, FEBRUARY

For more than 70 years, the United States has had domestic sourcing or “Buy America” laws on the books to ensure that American-made goods and materials have preference over imported products with respect to government procurement and infrastructure projects. Including domestic sourcing requirements in job creating legislation would be the most effective way to ensure taxpayer dollars are used to create and maintain jobs and manufacturing capacity to the maximum extent possible, thereby vastly improving the stimulative effect of government spending. Under current law, domestic sourcing requirements apply to general government procurement, materials for highway and transit infrastructure investments, projects funded by the American Recovery and Reinvestment Act of 2009 (the Recovery Act), and elsewhere. “Buy America” is a proven job creation tool that is broadly supported by Congress, the American people, and hundreds of local governments throughout the United States. Domestic sourcing laws comply with our international trade obligations and are utilized by numerous foreign governments. For all of these reasons, “Buy America” provisions should continue to be utilized in infrastructure and other spending bills so that our manufacturing base can thrive and so that more Americans can earn a paycheck and contribute to the overall welfare of the nation.

#### Obama loves Buy America and manufacturing lobbies would force the plan to use it

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

Joan Fitzgerald is professor and director of the graduate program in Law, Policy and Society and a Senior Research Fellow at the Kitty and Michael Dukakis Center for Urban and Regional Policy at Northeastern University. Lisa Granquist is a Ph.D. student in the Law, Policy and Society Program in the School of Public Policy and Urban Affairs at Northeastern University. Ishwar Khatiwada is a Senior Research Associate at the Center for Labor Market Studies at Northeastern University. Joseph McLaughlin is a Senior Research Associate at the Center for Labor Market Studies at Northeastern University. Michael Renner is a Senior Researcher at the Worldwatch Institute. Andrew M. Sum is Professor of Economics and Director of the Center for Labor Market Studies at Northeastern University. Reviving the U.S. Rail and Transit Industry: Investments and Job Creation, Sept

The analysis of job creation under full domestic content assumes that it is both feasible and desirable to increase the domestic content for rail and buses far above and beyond their current levels. Manufacturing advocates support increasing the Buy America provision to higher than 60 percent, and the Obama administration has announced support for enforcing domestic purchasing preferences on high-speed rail projects funded with the initial $8 billion of HSR grants that were part of the economic stimulus package.

#### If Obama has anything to do with the plan, he’ll place Buy America provisions within it

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Evidently not. In October 2011, President Obama proposed the American Jobs Act, a massive spending bill designed to inject billions of federal dollars into infrastructure projects such as the renovation of schools, the construction of roads and bridges and improving transit. Much to the surprise and frustration of the Canadian government and trade community the new bill included the exact same “Buy America” constraints of 2009’s Recovery Act. “Canadian manufacturers that supply America’s building, transportation, and state and municipal infrastructure markets will be seriously affected if these new restrictions become law,” said Canadian Manufacturers & Exporters president and CEO Jayson Myers. In fact, there was no chance of that ever happening given the bill was politically doomed from the outset and never even made it out of the Senate. Following defeat of the American Jobs Act, the White House decided to break up the $447 billion package and re-introduce it to Congress in the form of several standalone bills. The most significant of these to Canadian exporters was the Rebuild American Jobs Act that would have provided $60 billion for various transportation infrastructure projects and the creation of a National Infrastructure Bank. Like its predecessor, however, this bill also contained the same protectionist “Buy America” provisions requiring that all “iron, steel, and manufactured goods” used in public buildings or works be supplied by American firms. It too failed to gain passage in the U.S. Senate.

#### The plan creates new opportunities for trade retaliation

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

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Finally, some critics have contended that other countries might retaliate by restricting U.S. imports, so industrial goals would need to be reconciled with trade policy.6 In fact, many of the same countries that object to U.S. domestic content are far more strategic in developing their own industries. If there is to be a level playing field in international trade and industrial policy, then more strategic coherence is required on the U.S. side.

#### The plan would be viewed as an industry-specific subsidy and considered actionable within the WTO

Bhagwati 9, Professor of Economics and Law at Columbia University, 1-9

(Jagdish, VoxEU, http://www.voxeu.org/index.php?q=node/2779)

But what trade barriers did after 1930 can be done also by subsidies. So we now have strict rules on subsidies as well. Under the 1995 WTO Agreement on Subsidies and Countervailing Measures (SCM), while subsidies on exports and on “local-content” requirements are prohibited as directly damaging to trade, all other subsidies that are specific to firms or industries are declared actionable, and this applies even when they are claimed to be environment-friendly. There is no doubt that a bailout just to autos, and then also to Detroit within it (in fact, even within Detroit, to two out of three firms on credit-financed sales of cars, as it happens), would qualify for attention and for countervailing action and Dispute Settlement challenges. It is important therefore that Obama declares unambiguously that any action on the bailout will be WTO-consistent. This is required because every other country, France surely among them, will otherwise be emboldened to follow suit.

#### Expanding infrastructure investment strengthens Buy America transportation protectionism

Smith 11 Stephen, Georgetown, Market Urbanism, 5-22, http://marketurbanism.com/2011/05/22/obama-administration-sells-transit-out-to-organized-labor-again/

I’m not sure how I missed this (actually, I have an idea – more on that in a minute), but back in February the Federal Transit Administration issued the following warning about strengthened “Buy America” transit procurement protectionism: Congress and the Obama Administration asked Americans to provide $787 billion to help avoid an economic catastrophe and restore and modernize America’s infrastructure. In return, the Federal Government asks recipients of Recovery Act funds to be held accountable to the American public by using these resources to maximize opportunities to put Americans back to work and to support our domestic manufacturing industry. In order to support this goal, the Federal Transit Administration (FTA) will not consider any requests for a public interest waiver of FTA’s Buy America regulation for Recovery Act projects. If issued, such waivers would allow recipients of Recovery Act funds to procure steel, iron, or manufactured products, including rolling stock, that are not produced or manufactured in the United States. I will not waive Buy America for Recovery Act projects because such action would undermine the very purpose and intent of the Recovery Act—to preserve and create jobs in America. In addition, FTA will continue to carefully scrutinize requests for waivers based on non-availability to determine whether suitable American-made alternatives exist, and if none do, whether the funds can be used in an alternative manner that fulfills the goals of the Recovery Act. Similarly, FTA will examine requests for cost-differential waivers to determine whether the cost savings justifies the loss of American jobs, especially in critical manufacturing sectors. By necessity, FTA will extend existing, standing waivers—for products exempted by the Federal Acquisition Regulation, microprocessors and microcomputers, and small purchases—to Recovery Act-funded procurements, although I encourage recipients to use their best efforts to carry out the intent of Congress and the Obama Administration by carefully stewarding their Recovery Act funds in a manner that supports a healthy and robust domestic manufacturing base. Buy America is a policy dating back to the Great Depression which requires the government to buy goods made in America when at all possible. For transit, it means that 60% of all materials, from steel to streetcars, must be sourced domestically, and final assembly must take place in the US as well. This final assembly requirement sometimes (often?) means that transit vehicles manufactured abroad are disassembled, shipped to the US, and then reassembled by American workers – the modern-day equivalent of paying people to dig holes and then fill them back up. Normally there are waivers if parts and materials would raise the cost by more than 25% and in the nebulous case that applying Buy American “would be inconsistent with the public interest” (seems to me like it’s always inconsistent with the public interest), but it doesn’t look like the current administration will be granting them any longer. And while I think it’s a dumb policy in all circumstances, I suppose that the stimulus (“Recovery Act”) was intended as a Keynesian jobs program, so I’m not surprised to see Buy America applied very strictly to those funds. This part, though, was not something that I was expecting: In addition to the above guidance, please note that this heightened standard is not exclusive to the Recovery Act. FTA has raised the bar for all Buy America waiver requests. All requests will be scrutinized. Most requests will result in FTA offering technical assistance to develop a solution that will not necessitate a waiver. Please be cautious about leading your projects down a path where a Buy America waiver will be needed, as it is unlikely to be granted. When I last wrote about Buy America provisions hampering transit procurement, I caught some flak from some commenters for calling it Obama’s policy, since it’s been in force for decades – but he owns this one. Transit advocates are always asking for more subsidies, but they seem remarkably unconcerned about the byzantine tangle of FTA, FRA, and union rules that cause America to have some of the most expensive and inefficient transit in the developed world. Last week I suggested that planners’ reluctance to speak out against cost-increasing union work rules is caused by the ideological affinity between liberal urban planners and organized labor, and I think there’s something similar at play with this recent increase in protectionism. Mass transit boosters waste no opportunity to brag about all the domestic jobs it creates, but all this talk about “green jobs” has its costs.

## TURNS

### THE ECONOMY EXTENSIONS

#### China: Buy American provisions force China to devalue the Yuan – causing greater American escalation

Globe and Mail, Marcus Gee and Brian Milner, 2.2.9, “PROTECTIONISM; U.S. must resist instinct to circle the wagons,” Lexis

Fears of a new protectionism reached a peak last week when the U.S. Congress moved to protect the U.S. steel industry. Passing President Barack Obama's $819-billion (U.S.) stimulus package, the House of Representatives tacked on a rider requiring infrastructure projects to "Buy American." The provision, which sparked immediate concern among U.S. trade partners, including Canada, is now being reviewed by the Obama administration to see if it contravenes international rules. U.S. trade rivals are also complaining about Washington's move to bail out its troubled auto industry. Those measures "quite frankly, constitute protectionism," German Chancellor Angela Merkel said last week. "Many of the big economies are turning inward as they cope with their domestic slumps," said Cornell University trade scholar Eswar Prasad. "Policy makers are very narrowly focused on getting their economies growing again. That could lead to real tension if countries think others are taking advantage of them." Back in 1930, countries responded quickly to the new U.S. tariff wall. Even before Smoot-Hawley became law, imposing high tariffs on thousands of imported products, Canada responded with duties of its own on a range of important U.S. exports. Two years later, the Ottawa agreements brought Canada and other parts of the old British empire together in protective trade pacts, at the expense of the United States. Most experts don't see a return to those combative days, when competing tariffs helped cause a two-thirds fall in global trade volumes. All-out trade wars are less likely today because the World Trade Organization and nation-to-nation trade deals such as the North American free-trade agreement provide legal channels for working through trade disputes. Instead, the main worry is about a kind of creeping protectionism, in which countries subtly limit competition with subsidies, bailouts and other measures to protect domestic industries. Those measures distort trade and discriminate against foreign rivals, "but in the real world, it's hard to imagine things being played out otherwise," said Roy Culpeper, president and chief executive officer of the North-South Institute in Ottawa. "Governments are going to look after their own first with the scarce dollars they have going into deficit situations, and think about trade implications, if at all, only after that." Scholars Frederik Erixon and Razeen Sally of the European Centre for International Political Economy foresee a spiral of tit-for-tat trade measures. "If one country subsidizes, others follow; if one sector gets subsidized, others will demand like treatment," they wrote in a recent opinion piece in The Wall Street Journal. "That will in turn lead to a clamour for other forms of protection against foreign competition, such as anti-dumping and safeguard duties, export subsidies and discriminatory product standards." Richard Baldwin, who teaches international economics at the Graduate Institute in Geneva, says that in a nightmare scenario, a much worse form of protectionism could be set off if, for example, China were to devalue its currency to keep its exports to the United States priced low, undercutting hard-hit U.S. producers. "China devalues to avoid social unrest from unemployed manufacturing workers, and the rest of East Asia follows suit to avoid losing competitiveness. The U.S. Congress already has some highly protectionist bills in front of it with respect to China, and they might well pass them. One would hope [Mr.] Obama would veto them, but who knows. If U.S. unemployment keeps rising, more Americans lose their homes, elderly their life savings. ... Things could become very ugly, and blaming the foreigners is a classic."

#### Buy American makes a trade war possible – Chinese fear loss of exports AND it will be the only way to stablize government debt

Irwin Stelzer, Director of the Center for Economic Policy Studies and Senior Fellow at the Hudson Institute, 2.1.9, Spath with China Raises Fears of a Trade War, “Spat with China Raises Fears of a Trade War,” http://rs.hudson.org/index.cfm?fuseaction=publication\_details&id=5997

What might be ahead is a trade war, triggered by Geithner when he told the Senate during his confirmation hearings that he believes China is “manipulating” its currency to maintain it at a low value so as to stimulate its exports. “Manipulate” is the word that upsets the Chinese, and imports are the things that most upset the trade unions and congressional Democrats who see them as destroying jobs in America – never mind the benefits to consumers. There are three reasons to believe that this was not just another blunder by Geithner. The first is that the administration rushed out a statement that Geithner was saying no more than Obama had said on the campaign trail. The second is that Geithner was reading from a prepared statement, not merely making some remarks in response to a question. “President Obama, backed by the conclusions of a broad range of economists, believes that China is manipulating its currency,” wrote the then-nominee. Premeditation matters, and the use of the inflammatory word “manipulation” clearly was a carefully considered act. The third is that Geithner is well aware of Chinese sensibilities. He and his family have a long association with, and knowledge of, the politics of Asia and China. It would have been unusual in past years for any important Chinese official to visit America and not have a private tête-à-tête with Geithner, who has studied Chinese and Japanese, and lived in India, Thailand and Japan, as well as in China. His father is director of the Asia programme at the Ford Foundation. They know just what will set Chinese leaders’ teeth on edge. Which Geithner most certainly did. China’s communist leaders, lacking democratic legitimacy, know that unless they can keep job losses down as their economy cools, they will face even more social unrest than has been bubbling to the surface in recent years. They know, too, that the recession in America and Europe is cutting into their exports, causing factory closures and layoffs. The last thing they want is to see the yuan appreciate further against the dollar, reducing the competitive advantage that made-in-China goods have in America. Then along comes Geithner to bring smiles to the face of Chuck Schumer, the China-bashing New York senator who has been calling for high tariffs on Chinese goods to offset the advantage the Chinese gain from manipulating the yuan, rather than letting it float. “This is a big step,” Schumer announced with unconcealed glee. Geithner’s charge is not without substance. China has indeed kept its currency undervalued to stimulate its exports, and although Paulson’s trips to Beijing in pursuit of a strategic dialogue did produce a bit of a rise in the yuan, that stopped abruptly when the Chinese economy ran into strong headwinds. With the American economy in recession, and the taxpayers about to spend perhaps $1 trillion to get it moving, the notion that tax cuts and government spending will end up buying goods made in China by Chinese workers is increasingly unpalatable. That’s why the stimulus package includes “buy American” provisions. In the past, free traders could cite history, arguing that the Great Depression was prolonged by the protectionist wave that rolled across the world. Or they could cite the great Adam Smith, who demonstrated the benefits of free trade. But voters are neither historians nor economists: few have ploughed through the volumes on the Great Depression, or Smith’s Wealth of Nations. Besides, the long-term inefficiencies created by protectionism pale by comparison with the jobs lost here and now, especially in the minds of trade-union leaders and the Democrats they have helped to elect. Robert Cassidy also has his doubts about the benefits of our trade relations with China. Cassidy, President Bill Clinton’s assistant US trade representative for the Asia-Pacific region, is the man who put together the deal that persuaded Congress to normalise trade relations with Beijing and allow China to join the World Trade Organisation (WTO). Now, regrets he has more than a few. Last week he told an audience at the liberal Economic Policy Institute in Washington that Beijing’s manipulation of the yuan was making American goods uncompetitive in China, and inducing American companies to close factories here and move production to China. For the past decade China has shipped us goods, and we have shipped China bits of paper with pictures of American presidents. China has shipped those dollars back to us to buy the IOUs our deficit-ridden government is selling. Now the Treasury is about to step up its borrowing to fund the stimulus, the car industry, the banks, a partial government takeover of the healthcare industry, and myriad items on the wish lists of long-frustrated congressional liberals. If China decides it doesn’t want to buy the new IOUs, interest rates in America will climb, offsetting the effects of much of Obama’s stimulus package. Secretary Geithner might then find that he can’t peddle the billions in IOUs he will soon be issuing, and regret emboldening the Schumers of the world to believe that the Obama administration intends to replace talk, talk, with war, war – trade war, that is.

#### AND, We control uniqueness – Obamas stance against Buy American signals America is in favor of free trade – only a risk of turn

Daniel Drezner, professor of international politics at the Fletcher School of Law and Diplomacy at Tufts University, 2.4.9, “Could the "Buy American" idiocy be good for global trade?,” http://drezner.foreignpolicy.com/posts/2009/02/04/could\_the\_buy\_american\_idiocy\_be\_good\_for\_global\_trade

On the way here, I read two days worth of Financial Times stories and op-eds excoriating the "Buy American" provisions contained in the House and Senate stimulus packages. [But John B. Judis says that those provisions are harmless to world trade, and they will create jobs!!--ed. No. Wrong on both counts.] I worried that something like this was going to happen back in December, but now that it's actually happening, I'm cautiously optimistic. The extent of the global blowback, combined with the recognition that an economic recovery will require some serious policy coordination, might just be the slap of cold water to Barack Obama's belief that trade was going to be a tertiary issue during his administration. And, encouragingly, Obama has started to signal that he'll take care of it. Maybe this is me still being an optimist, but I have to hope that this is precisely the scare that both the administration and Congress needed to realize that they can't just stuff protectionist pork into the stimulus sausage without consequence.

#### Buy American crushes international economic innovation AND confidence; causes shocks and prevents recovery

Alain Verbeke, McCaig Chair in Management at the Haskayne School of Business, University of Calgary, 2.5.9, The Globe and Mail, “The deeper damage of this clause,” http://www.theglobeandmail.com/servlet/story/RTGAM.20090205.wcotrade05/BNStory/specialComment/home

If you thought the Buy American legislation was bad because it would create new trade barriers and result in tit-for-tat trade disputes, you were right. But this controversial clause in the U.S. stimulus package is even worse than you might imagine. First, Buy American won't create the confidence needed for economic recovery. The former administration's failure to regulate the U.S. financial system has reduced consumer and investor confidence to rock-bottom levels, and has had a global domino effect. Consequently, everyone is looking for political leadership that understands the big picture, engages in international policy co-ordination and recognizes the futility of trying to prevent U.S. taxpayer bailouts from "leaking" to other nations. To be sure, economic protectionism is popular with its immediate beneficiaries, such as weak firms and their workers who might otherwise be unemployed. But protectionism won't create what is needed now: consumer willingness to spend and private-sector investment for the future. In fact, Buy American will cause a major disturbance to the global economy. It will send a powerful message that international co-ordination to solve the global economic crisis has ended, and that Americans have adopted the false belief that economic recovery can and should be achieved on a nation-by-nation basis. Second, Buy American will block economic recovery with a small-mindedness that is not just foolhardy but counterproductive. Consider the proposed infrastructure projects. As we all know, some members of the Senate and House of Representatives are clamouring for rules that only American steel can be used to repair bridges and in other construction. Yet, such noise reveals a remarkable ignorance because the long-term benefits of a repaired U.S. bridge will dwarf the relatively minor matter of the steel's origin. To state the obvious, the improved U.S. bridge will be in the United States. The resulting benefits of decreased transport costs, improved communication, and attractiveness to new businesses will accrue locally. No matter where the building materials come from in the short run, the overwhelming benefits of infrastructure projects are in the long run, and will be enjoyed by Americans. The small-minded focus on the origin of the steel will have a disproportionate global effect for a relatively minor local benefit. Third, Buy American won't create the innovation needed for economic recovery. Indeed, the policy rests on a dangerous failure to appreciate why the U.S. is the preferred market for global business. International business aims to set up shop in the U.S. not because of its costs (which aren't very low) or because of its domestic firms' productivity (which is good but not great). The United States is a mecca for international trade and investment because of Americans. They are uniquely willing, as consumers and businesses, to try new things; they eagerly adopt innovative products and services, whatever their origin. By denying the ingredients of future products or services access to the U.S. - the unique launching pad to global success - Buy American would announce to the world that the U.S. no longer welcomes innovation. Such a bleak message will kill future great ideas before they can even whisper of their existence. Global economic recovery needs innovation; innovation needs the U.S. to continue to open itself to the world.

#### Buy American pushes us over the brink – moves from recession into depression

Burton Malkiel, professor of economics at Princeton University, 2.5.9, Wall Street Journal, “Congress Wants a Trade War,” http://online.wsj.com/article/SB123380102867150621.html?mod=googlenews\_wsj

This Buy American momentum is bad economics, and by threatening to destabilize trade and capital flows, it risks turning a global recession into a 1930s-style depression. Asked about Buy American on Tuesday, President Barack Obama told Fox News that "we can't send a protectionist message." He said on ABC News that he doesn't want anything in the stimulus bill that is "going to trigger a trade war." He's right. Suppose that we did not allow free trade between the 50 American states. Citizens like me in New Jersey would be far worse off if we could not buy pineapples from Hawaii, wine and vegetables from California, wheat from Kansas, and oil from Texas and Louisiana while we sell pharmaceuticals to the rest of the country. The specialization that trade makes possible allows all of us to live better. The situation is the same with respect to world trade. Both we and the Chinese are better off if we can import inexpensive clothing from China and sell them large-scale computers and data storage equipment. To be sure, such trade does not make everyone better off, and that is why free trade is often a tough sell, especially during times of hardship. If I am a textile worker whose job is lost because Chinese imports have caused my factory to close, I feel the pain far more acutely than consumers feel the benefits of cheap clothing. The pain tends to be localized while the benefits are spread broadly. No one person's benefit can compare with the loss felt by the textile worker. But the total benefits do exceed the costs. And competitive markets have spurred the innovation revolution that has made the U.S. the economic powerhouse that it is. The solution for the displaced worker is job retraining and adjustment assistance, and to improve the safety net available to displaced workers during the transition period. We also need to revamp our educational system so that it prepares workers for the jobs that are available today -- and imparts the flexible skills that make our citizens ready for the future jobs that we cannot even imagine. Buy American provisions invite retaliation by other nations, and the spread of "beggar thy neighbor" policies throughout the world. This House provision caused a palpable anxiety during the recent World Economic Forum at Davos, and America's closest allies are furious. "Buy American" would effectively ban Canadian steel products and other raw materials from infrastructure projects receiving stimulus funds. Foreign steel would only be allowed if domestic products were either unavailable or drove up the cost of the project by 25% or more. If the provision is not diluted, Mr. Obama will find a very hostile reception during his first international trip to Canada later this month. Hostility has been no less evident in Europe and China. The European Union has said that it will not stand by idly if the U.S. violates its trade agreements and its obligations to the World Trade Organization. The risks of retaliation and a trade war are very real. Since the U.S. is the biggest exporter in the world, retaliation could cost America more jobs than the provision would create. It could also destabilize the global capital flows on which the U.S. depends to fund its deficits. Moreover, the provision could delay some shovel-ready infrastructure projects, since sufficient American-made materials may not be immediately available. The U.S. does not manufacture enough steel to meet domestic demand. In 1930, just as the world economy was sinking as it is today, the U.S. Congress passed the Smoot-Hawley Tariff Act, which essentially shut off imports into the U.S. Our trading partners retaliated, and world trade plummeted. Most economic historians now conclude that the tariff contributed importantly to the severity of the world-wide Great Depression. Later, as one of his last acts, President Herbert Hoover made the situation even worse by signing a "Buy America Act" requiring all federal government projects to use American materials. (That act is still on the books although it was weakened during the 1980s.) We must avoid repeating the disastrous mistakes of the past. Buy American provisions and other forms of protectionism will destroy jobs, not create them. They are an irresponsible and self-defeating response to a downturn in world economic activity. Beggar-thy-neighbor policies create more beggars and hostile neighbors.

#### Buy American destroys American economic leadership AND export competitiveness – which is the ONLY brake on complete economic collapse now

Daniella Markheim, Jay Van Andel Senior Trade Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation, 1.30.9, Heritage Web Memo #2256, “Buy American Hurts America,” http://www.heritage.org/Research/tradeandeconomicfreedom/wm2256.cfm

Rather than expand on the Buy American provisions the U.S. has long maintained, a better approach would be to open competition in government-funded projects even wider. This expansion will help ensure that America gets the most benefit it can from vast new government spending. It will also send a critical message to the world that the U.S. is committed not only to its own welfare but to that of the international economic system as well. Protectionism Is Not the Right Answer The devastating economic effects of such protectionist measures are well-documented. The Smoot-Hawley Tariff Act of 1930, for instance, raised U.S. tariffs on more than 20,000 imported goods to record levels. Introduced as a means to reduce imports and protect American businesses and jobs,[1] Smoot-Hawley did cut the amount of imports between 1929 and 1933 in half. At the same time, exports dramatically declined,[2] and unemployment grew from 3.2 percent in 1929 to 8.7 percent in 1930 and peaked at 24.9 percent in 1933--the heart of the Great Depression.[3] Large majorities of economists and historians now say that Smoot-Hawley played a significant role in worsening the Great Depression.[4] While not the same, the expansion of the Buy American program represents a step toward the same type of destructive protectionism instituted by Smoot-Hawley. With countries' economic vitality linked through trade and investment, the need for all nations to protect open markets is crucial to helping the global economy recover and return to a path of growth. Therefore, given the effects of previous protectionist schemes, expanding the Buy American program as part of a stimulus package is perverse. Leading by Example In November 2008, the U.S. and other leaders in the G-8 publicly acknowledged the role trade plays in mitigating the cost of economic contraction and committed to avoid any new protectionist measures in their plans to spark their domestic economies. According to recent reporting from the WTO, although the economic downturn has prompted a few instances of protectionism, nations are largely sticking to that promise.[5] That said, the longer it takes for the world's economies to recover, the higher the risk that trade and investment barriers will find their way into domestic stimulus schemes. While some countries may cave to the temptation to protect the special interest groups and industries clamoring for assistance, the U.S. cannot afford such a response. Implementing new, more restrictive Buy American provisions not only breaks the promise America made to the world in November, but it also opens the door for other nations to introduce similar domestic bias in their own recovery plans. Such retaliatory measures would result in U.S. firms being denied the chance to compete for billions of dollars in foreign government contracts in support of stimulus projects in Australia, China, France, Germany, the U.K., and elsewhere around the world. While the Buy American provisions might protect 3 million U.S. manufacturing jobs (as claimed by White House spokeswoman Jen Psaki[6]) by shutting out foreign competition, it would threaten many of the more than 57 million Americans employed by firms that depend on international trade if nations retaliate against U.S. protectionism.[7] Moreover, while much of the U.S. economy has retrenched since the current crisis started, U.S. export performance has improved--a source of economic strength that has so far helped mitigate the cost of the downturn. However, as countries fall prey to global economic weakness, it will be increasingly difficult for U.S. firms to find customers abroad. Opportunity to participate in other nations' stimulus projects would provide a new source of foreign demand as traditional international markets weaken. No New Trade Restrictions Tougher Buy American provisions protect the few at the expense of the many. Under these provisions, regardless of whether America protects only steel or a broad swathe of industry, American families already struggling to make ends meet will have to pay more for goods and services. U.S. businesses and their employees that depend on global markets will find it harder to stay afloat, and economic recovery will take much longer to come to fruition. Economic recovery depends not only on preserving a competitive, transparent business climate in the U.S. but on preserving the open markets on which so much of our prosperity is based and which even now are helping keep the U.S. from slipping deeper into recession.

#### Buy American forces neo-conservative foreign policy – makes global war inevitable

Kuthula Matshazi, Zimbabwean journalist and host of African Perspective, 2.2.9, New Zimbabwe News, “Obama’s 'Buy American' a threat to international trade,” http://www.newzimbabwe.com/pages/opinion357.19339.html

If the US decides to press ahead anyway with the “Buy American” initiative disregarding the WTO rules (Even the WTO Box System cannot accommodate such huge amounts) then one of its options is to use bilateral trade relations. But that still will encounter some weaknesses such as those currently covered under the WTO trade rules like the most favoured nation status. Pushing ahead regardless of the obvious disadvantages of such action would require that the US use threats and adopt an aggressive foreign policy that would move President Obama away from being a democrat to a neo-conservative. There are reports already that say the Obama Administration might push congress to reconsider the “Buy American” provision. He better do so. The world does not have the capacity to deal simultaneously with the twin consequences of the global financial system and trade protectionism. Allowing these two phenomena to co-exist would cause an economic crisis of the 1930s proportion that could lead to serious trade wars and even conflicts between states.

#### Trade Leadership -Buy American destroys US moral high ground and crushes the global economy

Gary Clyde Hufbauer, Reginald Jones Senior Fellow at the Peterson Institute for International Economics, and Jeffrey J. Schott, senior fellow at the Peterson Institute for International Economics, February 09, Policy Brief Number PB09–2, “Buy American: Bad for Jobs, Worse for Reputation.”

A focus on domestic needs in time of crisis is normal. But Buy American provisions, unless waived, will violate US obligations to the international community. Therefore, it is important to consider the foreign policy implications. The most immediate risk is an echo or retaliation, already discussed. The much bigger cost is the damage to US reputation. In a stroke, the United States would forfeit the moral high ground when it comes to slowing the protectionist juggernaut that now threatens the world economy. Enacting Buy American requirements would open the door for countries worldwide to walk away from their trade obligations—or simply to raise barriers where they have no obligations. EU spokesman Peter Power stated that “if a bill is passed which prohibits the sale or purchase of European goods on American territory, [the European Union] will not stand idly by and ignore.”16 Canadian Prime Minister Stephen Harper expressed his own grave concern about the measure.17 If echoes and retaliation multiply, the world could be faced with rising protection, reminiscent of the Great Depression. The Smoot-Hawley Tariff Act of 1930, which raised tariffs on some 20,000 goods, ignited retaliation from US trading partners— and served as a catalyst for turning the depression into the Great Depression. Even a small echo of that experience would be a disaster. Buy American provisions would particularly damage US reputation abroad since they would come just a few months after the United States pledged to reject protectionism at the G-20 summit on November 15, 2008.18 The world is carefully watching the first moves of President Obama to gauge the tone of the new administration’s trade policy. Buy American provisions are an early test. The need for the stimulus bill is urgent, both economically and politically, and the administration has worked hard to enact the measure. Unless recast or waived, however, Buy American provisions will be read as an Obama trade policy that leans toward protectionism—with severe consequences abroad.

#### Obama leadership to prevent Buy American is key to stop massive protectionism – which will push the global economy over the brink

Korea Times, 2.2.9, “Looming Protectionist Specter,” http://www.koreatimes.co.kr/www/news/opinon/2009/02/202\_38824.html

Economists worldwide largely agree the current economic crisis, while serious, is not as severe as the Great Depression of 1929. But it looks as if the world could lapse into the situation of 80 years ago in no time, given how major governments ― developed and developing nations alike ― are coping with the global recession. Since September, when U.S. investment bank Lehman Brothers went belly up, 16 countries have taken 19 steps to protect and promote their own industries by discriminating against imports. The rekindled protectionist fervor is affecting not just manufacturing industries but also financial and even labor sectors. And ironically enough, the protectionist specter is rearing its ugly head even among supposedly free trade partners, such as members of the European Union and the North American Free Trade Agreement. Ongoing discussions at the U.S. Congress on the ``Buy American'' provision in the stimulus bill is a case in point. The revival of U.S. protectionism was widely expected when the Democrats occupied both houses of Congress at a time when America was hit by the worst recession in decades. Still, it is difficult to believe the U.S. congressional moves are coming from what was the global champion of free trade as recently as a few years ago. It's of little wonder the protectionist virus is rapidly spreading not just to other industrial countries but to major emerging economies as well, including Russia and India. The U.S. steel industry may be the only winner ― at least for the time being ― in succeeding to persuade or pressurize Congress to enforce the mandatory use of domestic iron and steel products in building contracts and other governmental spending. But it has long been conventional wisdom in foreign trade that if a country protects a specific sector, it adversely affects all other industries and consumers using its products, weakening the nation's industrial competitiveness as a whole. It is all the more regrettable that the U.S. Congress, which must be well aware of this, is succumbing to the temptation of a shortsighted, populist remedy, even abandoning its moral leadership, when it is needed more than any ever to tide over the global recession. The United States ― and other industrial countries, for that matter ― ought to practice what they have been preaching under the so-called Bretton Woods system since the end of World War II. The process of making financial bailouts and economic stimuli in the industrialized world is a rather embarrassing reminder of the Western world's poor economic leadership. For Korea, which still relies on foreign trade for up to 70 percent of its gross domestic products and saw its exports plunge 32 percent in January amid dwindling global trade, the recent revival of protectionism comes as a particularly ominous signal. The country, which has too small a domestic demand basis to offset contraction in foreign trade to maintain economic growth, could also run into problems raising funds abroad amid soaring financial protectionism in industrial countries' money markets. We hope the Barack Obama administration, which reportedly consists of supporters of free trade among U.S. Democrats, will withstand this reactionary and self-destroying temptation. President Obama is advised to dissuade Congress from inserting the Buy American provisions and veto the bill if they transfer them into one.

### HEGEMONY

#### Buy American policies destroy innovation – which hampers US national security

Alane Kochems, Research Assistant in the Kathryn and Shelby Cullom Davis Institute for International Studies at The Heritage Foundation, 6.21.5, “'Buy America' Provisions Don't Help Homeland Security or National Defense,” WebMemo #769

http://www.heritage.org/Research/HomelandSecurity/wm769.cfm

Common sense, however, shows that ‘buy America’ does not necessarily improve security or even benefit America’s economy. Many Problems Allowing foreign investors and expatriated corporations to compete for U.S. defense and homeland security contracts and removing ‘buy America’ provisions from current legislation will benefit national security and the American economy. U.S. security is more severely hampered by reduced innovation and higher prices from ‘buy America’ requirements than by any security risk that a foreign contract might possess in their absence. ‘Buy America’ provisions reduce the innovation, technology, and competitive pricing to which America has access. This, in turn, only serves to decrease America’s ability to defend itself.

### COMPETITIVENESS

#### Buy American fails – stimulus alone will improve domestic industry and the backlash internationally will hamstring domestic competitiveness

Douglas A. Irwin, a professor of economics at Dartmouth, 1.31.9, New York Times, “If We Buy American, No One Else Will,” http://www.nytimes.com/2009/02/01/opinion/01irwin.html?em

WORLD trade is collapsing. The United States trade deficit dropped sharply in November as imports from the rest of the world plummeted in response to the financial crisis and global recession. United States imports from China, Japan and elsewhere declined at double digit rates. The last thing the world economy needs is for governments to give a further downward shove to trade. Unfortunately, we may be doing just that. Steel industry lobbyists seem to have persuaded the House to insert a “Buy American” provision in the stimulus bill it passed last week. This provision requires that preference be given to domestic steel producers in building contracts and other spending. The House bill also requires that the uniforms and other textiles used by the Transportation Security Administration be produced in the United States, and the Senate may broaden such provisions to include many other products. That might sound reasonable, but history has shown that Buy American provisions can raise the cost and diminish the effect of a spending package. In rebuilding the San Francisco-Oakland Bay Bridge in the 1990s, the California transit authority complied with state rules mandating the use of domestic steel unless it was at least 25 percent more expensive than imported steel. A domestic bid came in at 23 percent above the foreign bid, and so the more expensive American steel had to be used. Because of the large amount of steel used in the project, California taxpayers had to pay a whopping $400 million more for the bridge. While this is a windfall for a lucky steel company, steel production is capital intensive, and the rule makes less money available for other construction projects that can employ many more workers. American manufacturers have ample capacity to fill the new orders that will come as a result of the fiscal stimulus. In addition, other countries are watching closely to see if the crisis becomes a general excuse for the United States to block imports and favor domestic firms. General Electric and Caterpillar have opposed the Buy American provision because they fear it will hurt their ability to win contracts abroad. They’re right to be concerned. Once we get through the current economic mess, China, India and other countries are likely to continue their large investments in building projects. If such countries also adopt our preferences for domestic producers, then America will be at a competitive disadvantage in bidding for those contracts. Remember the golden rule, or the consequences could be severe. When the United States imposed the Smoot-Hawley Tariff in 1930, it helped set off a worldwide movement toward higher tariffs. When everyone tried to restrict imports, the combined effect was a deeper global economic slump. It took decades to undo the accumulated trade restrictions of that period. Let’s not make the same mistake again.

### SOFT POWER

#### Buy American provision causes major international backlash and destroys all goodwill Obama brought in

NYT, New York Times, Nelson D. Schwarz, 2.1.9, “World Leaders Wary of U.S. Economic Measures,”

http://www.nytimes.com/2009/02/02/business/worldbusiness/02global.html?ref=business

“There is such a level of concern, despair and anxiety that as welcome as the new president is, no one is inclined to cut the U.S. much slack,” said Richard Haass, president of the Council on Foreign Relations. Or as Niall Ferguson, the Harvard historian, put it, “If G.M. got a new C.E.O., does that mean people would suddenly want to buy their cars?” The criticism came from the usual sources, like Prime Minister Vladimir V. Putin of Russia and Premier Wen Jiabao of China, who both criticized a long pattern of excessive consumption, risky borrowing and inadequate regulation in the United States. But more significant, the brickbats also came from economic and political leaders of European allies like Germany and France. Whether the issue was the recent bailout for the American auto industry or proposals favoring American steel producers in the stimulus package now being debated on Capitol Hill, foreign officials warned that any move toward protectionism would have serious consequences for Washington and the rest of the world. “We must not allow market forces to be completely distorted,” Angela Merkel, the German chancellor, warned in a speech on Wednesday. “For instance, I am very wary of seeing subsidies injected into the U.S. auto industry. That could lead to distortion and protectionism.” By the weekend, as word of the “Buy American” provision in the stimulus package to help the United States steel industry spread through Davos, the tone had become sharper. “It’s extremely preoccupying that one of the first acts of the new Obama administration could be a measure that is clearly protectionist and a distortion of competition,” said Anne-Marie Idrac, the French trade minister, who tried to draw Pascal Lamy, director general of the World Trade Organization, into the battle. Mr. Lamy, however, said the organization would only act if there has been a “breach of the rules.” “I am not that big cop,” he added.

# PPP CP

## 1NC

#### 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 for purposes of increasing the number of public buses in operation by 50 percent and replacing the entire fleet over the next five years focusing on improving the energy efficiency and quality of the operating bus fleet.

#### The CP is critical to enhance state revenue streams

Gorton and Sabo 12 - Slade Gorton is a former senator from Washington. Martin Sabo is a former representative from Minnesota. They served as co-chairmen of the Bipartisan Policy Center’s National Transportation Policy Project. Politico, 3-7, http://www.politico.com/news/stories/0312/73714.html

The Obama administration and Congress appear unwilling to increase transportation investment by either higher federal motor fuels taxes or new forms of federal surface transportation user fees. So Congress needs to give states and metropolitan regions greater flexibility to increase user-related revenue — and then use these new funding streams to leverage greater investment from both public and private resources. With scarce federal resources, states and localities should not be constrained in their ability to fund vital transportation improvements through reasonable user fees. For example, we can remove, or at least substantially reduce, federal barriers to tolling and pricing by states and metropolitan regions. It could be done by ending the current federal prohibition on tolling interstate highways. This could also be attained by extending the Federal Highway Administration’s tolling and highway user pilot programs and expanding the number of participants in these programs. A bipartisan amendment supporting this has been offered to the Senate surface transportation bill by Sens. Tom Carper (D-Del.), Mark Kirk (R-Ill.) and Mark Warner (D-Va.). We urge senators of both parties to back it. By allowing more states and regional authorities to participate, Congress could provide them with the ability to create innovative and flexible programs to finance their transportation needs, though federal funding may fall. Even as Congress opens these tolling and user-charge pilot programs to more participants, it should require the Transportation Department to set criteria that protects the users of these facilities and networks. Users should not face toll charges that impede interstate commerce or burden parallel nontolled facilities. Moreover, DOT should ensure that surplus, or net, revenue from new toll facilities are used only for transportation improvements in the same corridor. The ability to establish enhanced revenue streams at the state and local levels is crucial to the success of Congress’s plans to expand public-private partnerships and federal credit and credit enhancement programs, like the Transportation Infrastructure Finance and Innovation Act, in the restoration of major transportation facilities. Fiscal constraints today highlight the need for states and metropolitan regions to be more self-reliant in raising and investing resources. The bill that the Senate is considering offers significant steps toward improving transportation infrastructure.

#### Giving states freedom to finance jumpstarts public-private partnerships which are more effective at improving the economy and ensuring improving infrastructure

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

A big step toward devolving infrastructure financing would be to cut or eliminate the federal gasoline tax and allow the states to replace the funds with their own financing sources. President Reagan tried to partly devolve highway funding to the states, and more recent legislation by Rep. Scott Garrett (R-NJ) and Rep. Jeff Flake (R-AZ) would move in that direction.15 Reforms to decentralize highway funding would give states more freedom to innovate with the financing, construction, and management of their systems.16 One option for the states is to move more of their infrastructure financing to the private sector through the use of public-private partnerships (PPP) and privatization. The OECD has issued a new report that takes a favorable view on the global trend towards infrastructure PPPs, and notes the "widespread recognition" of "the need for greater recourse to private sector finance" in infrastructure.17 The value of PPP infrastructure projects has soared over the past 15 years in major industrial countries.18 PPPs differ from traditional government projects by shifting activities such as financing, maintenance, management, and project risks to the private sector. There are different types of PPP projects, each fitting somewhere between traditional government contracting and full privatization. In my view, full privatization is the preferred reform option for infrastructure that can be supported by user fees and other revenue sources in the marketplace. Transportation is the largest area of PPP investment. A number of projects in Virginia illustrate the options: Midtown Tunnel. Skanska and Macquarie will be building a three-mile tolled tunnel under the Elizabeth River between Norfolk and Portsmouth. Private debt and equity will pay $1.5 billion of the project's $1.9 billion cost.19 Capital Beltway. Transurban and Fluor will be building, operating, and maintaining new toll lanes on the I-495. The firms are financing $1.4 billion of the project's $1.9 billion cost.20 Dulles Greenway. The Greenway is a privately-owned toll highway in Northern Virginia completed with $350 million of private debt and equity in mid-1990s.21 Jordan Bridge. FIGG Engineering Group is constructing, financing, and will own a $100 million toll bridge over the Elizabeth River between Chesapeake and Portsmouth, which is to be completed in 2012.22 About $900 billion of state-owned assets have been sold in OECD countries since 1990, and about 63 percent of the total has been infrastructure assets.23 The OECD notes that "public provision of infrastructure has sometimes failed to deliver efficient investment with misallocation across sectors, regions or time often due to political considerations. Constraints on public finance and recognized limitations on the public sector's effectiveness in managing projects have led to a reconsideration of the role of the state in infrastructure provision."24 There has been a large increase in privatization and infrastructure PPPs in many countries, but the OECD notes that the United States "has lagged behind Australia and Europe in privatization of infrastructure such as roads, bridges and tunnels."25 More than one-fifth of infrastructure spending in Britain and Portugal is now through the PPP process, so this is becoming a normal way of doing business in some countries.26 The industry reference guide for infrastructure PPP and privatization is Public Works Financing.27 According to this source, only 2 of the top 40 companies doing transportation PPP and privatization around the world are American. Of 733 transportation projects currently listed by PWF, only 20 are in the United States. Canada — a country with one-tenth of our population — has more PPP deals than we do. In Canada, PPPs account for 10 to 20 percent of all public infrastructure spending.28 One of the fuels for infrastructure PPP has been growing investment by pension funds.29 In Canada, Australia, and other countries, there is larger pension fund investment in infrastructure than in the United States. In some countries, such as Australia, the growth in pension assets has been driven by the privatization of government retirement programs.30 Thus, there is a virtuous cycle in place — the privatization of savings in some countries has created growing pools of capital available to invest in privatized infrastructure. There are many advantages of infrastructure PPP and privatization. One advantage is that we are more likely to get funding allocated to high-return investments when private-sector profits are on the line. Of course, businesses can make investment mistakes just as governments do. But unlike governments, businesses have a systematic way of choosing investments to maximize the net returns. And when investment returns are maximized, it stimulates the largest gains to the broader economy.

## AT: PERM

#### The CP is the opposite of FEDERAL investment

Inhofe 10 - James M. Hearing: Full Committee hearing entitled, "Innovative Project Finance." 9-28

One of the most frequently discussed ways to leverage non-federal investment is through public-private partnerships, or PPPs. With PPPs, state or local governments enter into an agreement to raise private capital and transfer risks to the private sector, making challenging and unaffordable projects possible. This is a way to unleash an enormous amount of private investments in public infrastructure. This financing source is as important to helping us address our infrastructure crisis as a robust federal highway bill.

#### The perm’s addition of multiple levels of government kills transparency, producing higher costs

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

Federal infrastructure projects have often suffered from large cost overruns.8 Highway projects, energy projects, airport projects, and air traffic control projects have ended up costing far more than originally promised. Cost overruns can happen on both public and private infrastructure projects, but the problem is exacerbated when multiple levels of government are involved in a project because there is less accountability. Boston's Big Dig — which exploded in cost to five times the original estimate — is a classic example of mismanagement in a federal-state project.9

#### Federal spending creates a model of failed projects – magnifying our net benefits, increasing long-term local costs, killing efficiency and discriminating against rural areas

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

Perhaps the biggest problem with federal involvement in infrastructure is that when Washington makes mistakes it replicates those mistakes across the nation. Federal efforts to build massive public housing projects in dozens of cities during the 20th century had very negative economic and social effects. Or consider the distortions caused by current federal subsidies for urban light-rail systems. These subsidies bias cities across the country to opt for light rail, yet rail systems are generally less efficient and flexible than bus systems, and they saddle cities with higher operating and maintenance costs down the road.10 When the federal government subsidizes certain types of infrastructure, the states want to grab a share of the funding and they often don't worry about long-term efficiency. High-speed rail is a rare example where some states are rejecting the "free" dollars from Washington because the economics of high-speed rail seem to be so poor.11 The Obama administration is trying to impose its rail vision on the nation, but the escalating costs of California's system will hopefully warn other states not to go down that path.12 Even if federal officials were expert at choosing the best types of infrastructure to fund, politics usually intrudes on the efficient allocation of dollars. Passenger rail investment through Amtrak, for example, gets spread around to low-population areas where passenger rail makes no economic sense. Indeed, most of Amtrak's financial loses come from long-distance routes through rural areas that account for only a small fraction of all riders.13 Every lawmaker wants an Amtrak route through their state, and the result is that investment gets misallocated away from where it is really needed, such as the Northeast corridor. Another problem is that federal infrastructure spending comes with piles of regulations. Davis-Bacon rules and other federal regulations raise the cost of building infrastructure. Regulations also impose one-size-fits-all solutions on the states, even though the states have diverse needs. The former 55-mph speed limit, which used to be tied to federal highway funds, is a good example. Today, federal highway funds come with requirements for the states to spend money on activities such as bicycle paths, which state policymakers may think are extraneous.14

#### OUR EV IS COMPARATIVE, PPPs are better in ensuring the aff actually gets done

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

A recent Brookings Institution study describes some of the advantages of PPPs. It notes that the usual process for government infrastructure investment decouples the initial construction from the later management, which results in contractors having few incentives to build projects that will minimize operation and maintenance costs.32 PPP solves this problem because the same company will both build and operate projects. "Many advantages of PPP stem from the fact that they bundle construction, operations, and maintenance in a single contract. This provides incentives to minimize life-cycle costs which are typically not present when the project is publicly provided," notes the Brookings' study.33 There are other advantages of infrastructure PPP and privatization. One advantage is the greater efficiency of construction. Extensive British experience shows that PPP projects are more likely to be completed on time than traditional government projects.34 Another advantage is the greater efficiency of operations. Private firms have incentives to reduce excessive operational costs, as illustrated by the labor cost savings from the leasing of the Chicago Skyway.35 Finally, private operators of infrastructure such as toll roads are more likely to charge efficient market rates to users, as illustrated by the leasing of the Indiana Toll Road.36 The Brookings' paper raises some important concerns with PPP, which I share. One is that state officials may lease assets such as toll roads simply to paper over short-term budget deficits. Another concern is that policymakers write poor contracts that assign profits to private parties but risks and possible losses to taxpayers. The Brookings' authors propose approaches to structuring contracts and competitive bidding to ensure efficiency. For new infrastructure investments, well-structured PPP or full privatization appears to be a winning approach for taxpayers, governments, and the broader economy. Taxpayers win because subsidies to infrastructure users are minimized. Governments win because they get new facilities built. And the economy wins because private investment is more likely to be cost-efficient and well-targeted than traditional government investments. Conclusions In its report on the state of U.S. infrastructure, the American Society of Civil Engineers gives America a grade of "D."37 However, the ASCE report mainly focuses on infrastructure provided by governments, so if you believe that this low grade is correct, then it is mainly due to government failures. The ASCE lobbies for more federal spending, but OECD data shows that public-sector spending on infrastructure is about the same in this country as in other high-income nations. Some of the infrastructure shortcomings in the United States stem from mismanagement and misallocation by the federal government, rather than a lack of taxpayer support. So part of the solution is to decentralize infrastructure financing, management, and ownership as much as possible. State and local governments and the private sector are more likely to make sound investment decisions without the federal subsidies and regulations that distort their decisionmaking.

## NB:

### POLITICS

#### PPPs more popular in Congress than federal investment

Sledge 12 - Matt, Reporter for the Huffington Post based in New York. A graduate of Brown University, he was previously the Rhode Island director for FairVote. HUFFINGTON POST, 2-2

Congress is divided, however, on how to fix America's roads, bridges, dams and waterways. After Obama's proposal was defeated last year, both the House and Senate pressed forward on writing their own long-term bills for surface transportation -- the most important component of federal infrastructure spending. But surface transportation bills double down on the same errors that got the country into its hole in the first place, according to JayEtta Hacker, who was formerly the director of transportation issues at the General Accounting Office. All of these bills, she said, are tied to a woefully inadequate system for monitoring how effectively the federal, state and local governments spend tax dollars on infrastructure. "There are no goals," she said. "There are no outcomes. And there's no data or information or evidence of what kind of returns we get from the federal investment dollar." Instead, the federal government simply doles money out to states on a ratio that's based on how much their drivers spent on federal gas taxes. The states, in turn, spend the money they receive on items in their federally required state transportation plan, which, Hacker said, consists of "stapled pet projects and plans for different parts of the state." This model, created during the vast expansion of the interstate highway system in the middle of the 20th century, is now running out of gas, quite literally: the 18.4 cents per gallon federal gas tax has not been changed since 1993. Newer fuel-efficient car models and inflation mean that the money raised off that tax, about $32 billion a year, is getting scarcer and scarcer. The federal highway system is supposed to pay for itself with the tax, but over the last three years $34.5 billion in transfers from general tax revenues have been needed to fill the widening gas tax gap. The Congressional Budget Office just released a report showing that the Highway Trust Fund, the major source of money for surface transportation, will go bankrupt in 2014 because of declining gas tax revenues. Neither Democrats nor Republicans in Congress have a plan to fix that. The fact that we haven't raised the gas tax in so long, said Hacker, is "unconscionable." But it's not surprising: some 77 percent of Americans, including majorities of both major parties, are against a hike. Some experts would like to see a new tax instituted on the number of miles people actually drive. Fears of GPS tracking devices on every car, however, have made that a political non-starter for now. Instead, both Democrats and Republicans are taking a look at paying for roads and bridges with tolls, and with a financing device that often accompanies them: public-private partnerships, or "PPPs." A MARRIAGE OF CONVENIENCE In recent years PPPs, in which public funds are matched with funding raised by banks and on Wall Street, have become an increasingly popular way for states to get financial booster shots and to get around limits on bond obligations. Investment banks, ratings agencies and law firms all have an interest in PPPs, and they have also attracted bipartisan political support as a possible cure to what ails the country's infrastructure.

### AVOIDS PORK BARREL PROJECTS

#### PPPs are better at avoiding poorly spent government funding

Sledge 12 - Matt, Reporter for the Huffington Post based in New York. A graduate of Brown University, he was previously the Rhode Island director for FairVote. HUFFINGTON POST, 2-2

Still, if PPPs can't replace the infrastructure funding apparatus wholesale, they still might be a valuable way of stemming the amount of public money that gets wasted on pork-barrel projects, which buttress a politician's local standing but don't generally qualify as authentically valuable infrastructure spending. If a senator's pet project doesn't make sense, the logic goes, then private funds won't rush to support it, offering a market signal against the viability of potential "bridges to nowhere."

#### Federal spending will be channeled to low-value activities

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

There are calls today for more federal spending on infrastructure, but advocates seem to overlook the downsides of past federal efforts. Certainly, there have been federal infrastructure successes, but there has also been a history of pork barrel politics and bureaucratic bungling in federal investment spending. A substantial portion of federal infrastructure spending has gone to low-value and dubious activities. I've examined spending by the two oldest federal infrastructure agencies — the Army Corps of Engineers and the Bureau of Reclamation.7 While both of those agencies constructed some impressive projects, they have also been known for proceeding with uneconomic boondoggles, fudging the analyses of proposed projects, and spending on activities that serve private interests rather than the general public interest. (I am referring to the Civil Works part of the Corps here).

## AT: STATES WILL FAIL

#### State mistakes are better than federal mistakes because other states can learn from previous failures

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

The U.S. economy needs infrastructure, but state and local governments and the private sector are generally the best places to fund and manage it. The states should be the "laboratories of democracy" for infrastructure, and they should be able to innovate freely with new ways of financing and managing their roads, bridges, airports, seaports, and other facilities. It is true that — like the federal government — the states can make infrastructure mistakes. But at least state-level mistakes aren't automatically repeated across the country. If we ended federal involvement in high-speed rail, for example, California could continue to move ahead with its own system. Other states could wait and see how California's system was performing before putting their own taxpayers on the hook.

#### States have a stronger incentive to ensure that funding is actually successful

Poole 10, Robert, Searle Freedom Trust Transportation Fellow and Director of Transportation Policy Reason Foundation, Out of Control Policy Blog, 8-3, http://reason.org/blog/show/interstate-highway-modernize-gas-ta

Urban transit is clearly a local/regional responsibility, not federal, and should be funded at those levels. But it’s almost certain that Congress will continue making grants for this purpose, so our study argues that such funds should no longer be taken from highway users but should instead come from federal general funds, like the government’s other community development programs. That’s especially the case now that the Obama administration and Congress seem to want to focus on goals such as “livability” rather than congestion-reduction. Under our proposal, with the federal role and funding limited to the Interstates, the states would be freed from federal regulations on all other highways. A previous Reason Foundation study estimated that due to all the costly federal regulations, a federal-aid highway dollar buys only about 70% as much as a state highway dollars, so the states’ resources would go a lot further under our proposal. States would also have a stronger incentive to set funding priorities (e.g., requiring projects to pass a serious benefit/cost threshold in order to be funded), rather than trying to fund everything on politicians’ wish lists.

#### Federal funds won’t cover transit agencies need to pay operations expenses

Freemark 10 - Yonah, independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University, Transport Politic, 6-11, http://www.thetransportpolitic.com/2010/06/11/reversing-roles-should-washington-cover-operations-costs/

Since 1998, Congress has banned the use of federal funds to pay for public transportation operations in communities of more than 200,000 people, effectively requiring transit agencies to pay for all of their salary, electricity, and fuel costs using local or state revenues. Meanwhile, the U.S. government has continued to sponsor a majority of costs for capital expenses, including the construction of expensive new fixed-guideway bus and rail lines. This split in funding has resulted in a number of particularities in the American transportation system — during the recent recession, transit agencies actually received more money to pay for new construction programs from the federal government’s stimulus and steady transportation allocations, but less to sponsor services from fluctuating state and local revenue sources. This has produced a situation in which many cities are actively building new rail lines even as they’re cutting offerings on their bus operations. Should Washington be asked to help find a way out? Since last year, when the full effects of the recession were making themselves clear, some agencies have been clamoring for the federal government to take a bigger role in operations funding; they’ve argued that the stimulus would have little effect if they’re forced to fire drivers and technicians.

#### Federal funds won’t even make it to those who need it. They have no accountability

Berezowsky 12, Taras, Metal Miner, 2-14, Obama’s Budget: Enough Infrastructure Investment? http://agmetalminer.com/2012/02/14/obamas-budget-enough-infrastructure-investment/

In another interview with Jennifer Diggins of Nucor (who will be speaking at our conference, Commodity EDGE), Diggins stressed that legislative steps must be taken to remedy the US’ crumbling road, bridge, air and water infrastructure to secure the competitive advantage of domestic manufacturing. However, in context of Buy America, implementing federal funding is a different story: “We’re continuing to run into issues where federal dollars are going through different federal agencies other than the DOT, and once it hits the state level, (we’re unsure) what they actually do with it,” she said.

## AT: STATES CAN’T AFFORD IT

#### States are already looking for new forms of financing. Eliminating federal regulations will free the states

Thomasson 12, -- Scott, President, NewBuild Strategies LLC, Publisher Council on Foreign Relations Press, Encouraging U.S. Infrastructure Investment, Policy Innovation Memorandum No. 17, April

States are already looking at new ways to finance infrastructure as federal funding becomes uncertain and their own budgets are strained. More states rely on PPPs to share the costs and risks of new projects, and they are finding new sources of nontax revenues to fund investments, like tolling and higher utility rates. But at the same time, federal regulations and tax laws often prevent states from taking advantage of creative methods to finance projects. Federal programs designed to facilitate innovative state financing are underfunded, backlogged, or saddled with dysfunctional application processes. Many of these obstacles can be removed by adjusting regulations and tax rules to empower states to use the tools already available to them, and by better managing federal credit programs that have become so popular with states and private investors.

#### The CP unlocks billions of dollars of new financing

Thomasson 12, -- Scott, President, NewBuild Strategies LLC, Publisher Council on Foreign Relations Press, Encouraging U.S. Infrastructure Investment, Policy Innovation Memorandum No. 17, April

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.

## PPPs SOLVE PORTS

#### The most effective seaports in the world are privatized

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

That is certainly true, and I think transportation privatization is part of the answer to improve America's competitiveness in global markets. For example, nearly all airports and seaports in this country are owned by governments, but many airports and seaports abroad have been partly or fully privatized. The World Economic Forum rates America's seaports only 23rd in the world, but the first- and third-best seaports in the world, according to the WEF, are private — Singapore and Hong Kong.38 The federal government cannot afford to expand its infrastructure spending because of today's massive deficits.

#### Spending on port improvement impede production, causing greater imports

Sledge 12 - Matt, Reporter for the Huffington Post based in New York. A graduate of Brown University, he was previously the Rhode Island director for FairVote. HUFFINGTON POST, 2-2

Many eastern cities up and down the Atlantic seaboard, for instance, are in the midst of dredging their ports and improving harbor facilities, but Mandel said we should be looking elsewhere. “Right now,” he said, “if you spend a lot on ports, you'll wind up producing less because imports are cheaper.” Tunnels and bridges between places in the United States, by contrast, would allow goods produced here to get to market more easily.

## PPPs SOLVE AIRPORTS

#### FAA management is horrible. Privatization is superior

Edwards 11 - Chris, Joint Economic Committee - United States Congress, Problems with Federal Infrastructure Investment, 11-16-11

One reason that privatized infrastructure is efficient is that private companies can freely tap debt and equity markets to build capacity and meet market demands. By contrast, government investment suffers from the politics and uncertainties of the federal budget process. You can see the problems with our air traffic control system, which needs long-term investment but the Federal Aviation Administration can't count on a stable funding stream. For its part, the FAA's management of ATC investment has been poor. The agency has a history of delays and cost overruns on its technology upgrade projects. The solution is to privatize our air traffic control system, as Canada has done with very favorable results.31

# CASE NEG

## NO SOLVO 1NC

#### Federal funds won’t cover transit agencies need to pay operations expenses

Freemark 10 - Yonah, independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University, Transport Politic, 6-11, http://www.thetransportpolitic.com/2010/06/11/reversing-roles-should-washington-cover-operations-costs/

Since 1998, Congress has banned the use of federal funds to pay for public transportation operations in communities of more than 200,000 people, effectively requiring transit agencies to pay for all of their salary, electricity, and fuel costs using local or state revenues. Meanwhile, the U.S. government has continued to sponsor a majority of costs for capital expenses, including the construction of expensive new fixed-guideway bus and rail lines. This split in funding has resulted in a number of particularities in the American transportation system — during the recent recession, transit agencies actually received more money to pay for new construction programs from the federal government’s stimulus and steady transportation allocations, but less to sponsor services from fluctuating state and local revenue sources. This has produced a situation in which many cities are actively building new rail lines even as they’re cutting offerings on their bus operations. Should Washington be asked to help find a way out? Since last year, when the full effects of the recession were making themselves clear, some agencies have been clamoring for the federal government to take a bigger role in operations funding; they’ve argued that the stimulus would have little effect if they’re forced to fire drivers and technicians.

#### The plan will produce more buses with no one to drive them

Freemark 11 - Yonah, independent researcher currently working in France on comparative urban development as part of a Gordon Grand Fellowship from Yale University, Transport Politic, 9-2, http://www.thetransportpolitic.com/2011/09/02/spurring-jobs-through-infrastructure/

The stimulus bill passed in early 2009 did increase the number of jobs available; while it was not perfect, the current weakness in the economy is more a result of that original legislation being too small than a reflection of poor government decision-making. A new jobs-centered stimulus would likely improve the unemployment situation and expand the economy as a whole. While the stimulus made a number of major investments in infrastructure possible — virtually all of the nation’s recent spending on intercity rail and the advancement of several major transit capital projects — it did so as transit agencies were suffering tremendously from the consequences of declining local tax receipts. While cities could spend hundreds of millions of dollars on new rail lines paid for mostly by Washington, hiring thousands of construction workers, they were forced to cut back on essential pre-existing transit routes mostly funded by municipal taxes and fire thousands of drivers, maintenance workers, and other service-providing personnel. For the jobs situation, this environment was decidedly mixed. For the transit-using customer, the environment arguably got worse because most of those capital investments will only pay off years from now. If President Obama is serious about investing in a proposal that not only increases the number of jobs available but produces a valuable benefit for the public, a focus on paying for transit service rather than infrastructure could arguably be the best approach. By ensuring that public transportation agencies are able to provide adequate, day-to-day bus and rail operations, the federal government would be not only guaranteeing fewer job losses in the public sector (local governments have lost about 500,000 jobs since the official end of the recession) but also making it more feasible for the average person to rely on transit, since increasing frequencies makes it far more appealing.

#### BEHIND THE SCENES OBAMA WILL STILL FAVOR FREE TRADE POLICIES THAT CAUSE OUTSOURCING

Elk 10 Mike Elk is a third-generation union organizer and journalist whose work appears frequently in In These Times. He previously worked for Campaign for America's Future and the United Electrical, Radio, and Machine Workers (UE). AlterNet, 8-26, http://www.alternet.org/story/147957/despite\_fresh\_rhetoric\_about\_saving\_u.s.\_manufacturing%2C\_obama\_is\_quietly\_pushing\_failed\_bush\_trade\_policies

With jobs at the forefront of every voter's mind, President Barack Obama and key members of his administration have been publicly promoting new trade policies to make sure that U.S. companies don't send manufacturing jobs overseas. It's a politically and economically sound strategy—but unfortunately, it's all talk. Behind the scenes, the administration is still pushing for the same failed Bush-era trade policies that sent millions of American jobs abroad and created global imbalances that helped fuel the financial crisis.

#### Infrastructure investment too difficult to predict

Reichel 12 - Matt, AlterNet, The New Wall Street Racket Looting Your City, 5-7, http://www.alternet.org/story/155276/the\_new\_wall\_street\_racket\_looting\_your\_city%2C\_one\_block\_at\_a\_time

Nonetheless, the two shortcomings of this project are particularly instructive. Its primary problem was the failure to meet the initial high-shooting projections initially set out. Traffic patterns are extremely difficult to accurately anticipate: a situation not helped by the backdrop of the worldwide recession and the location of this road in a region that was particularly burdened by the foreclosure crisis. The intrinsic uncertainty of usage of public infrastructure renders it a poor focal point for private, profit-driven investment. The reality is that parks, roadways and bridges require periodic capital investment irrespective of profitability. Public entities are far more well-equipped to finance these unreliable projects for the very reason that government is not motivated by profit.

#### Buy America not strong enough

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

Joan Fitzgerald is professor and director of the graduate program in Law, Policy and Society and a Senior Research Fellow at the Kitty and Michael Dukakis Center for Urban and Regional Policy at Northeastern University. Lisa Granquist is a Ph.D. student in the Law, Policy and Society Program in the School of Public Policy and Urban Affairs at Northeastern University. Ishwar Khatiwada is a Senior Research Associate at the Center for Labor Market Studies at Northeastern University. Joseph McLaughlin is a Senior Research Associate at the Center for Labor Market Studies at Northeastern University. Michael Renner is a Senior Researcher at the Worldwatch Institute. Andrew M. Sum is Professor of Economics and Director of the Center for Labor Market Studies at Northeastern University. Reviving the U.S. Rail and Transit Industry: Investments and Job Creation, Sept

Several countries have used rail investment to support other domestic industries as well. The European Union excludes procurement activity related to rail from World Trade Organization (WTO) rules, and Canada applies the same exclusions to both the WTO and NAFTA (the North American Free Trade Agreement) and also excludes the iron and steel used in rail projects. China requires the use of 70 percent domestic content in all public transit equipment, as well as the signing of technology-transfer agreements between foreign-owned companies and domestic firms for all nationally funded transportation investments.15 Similarly, the United States will need to adopt stronger measures than the current Buy America provisions to support a domestic railcar production industry that is engaged in R&D on the latest train technologies. As detailed in the Apollo Alliance report Make It In America: The Apollo Clean Transportation Manufacturing Action Plan, much could be done to strengthen existing U.S. domestic content standards. While the Buy America provisions have helped the United States retain a portion of its rail and bus manufacturing industries, the country needs a strategy that links domestic transportation investments to greater industry growth by increasing the transparency and accountability of existing domestic content requirements. Among other steps, this means introducing incentives to go beyond minimally required domestic content and making targeted investments to expand the U.S. role in high value-added research and manufacturing within the transit industry.

#### Customization will add hidden costs

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

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Another challenge for producers of both buses and passenger railcars is that most transit agencies specify customized features on their orders. Customization can increase production costs 20–30 percent, as it requires more engineering work and changes on the assembly line. In both the bus and rail industries, component suppliers typically solicit transit agencies directly to promote their products, and the agencies then request the specific components. This highly customized ordering process results in more expense per unit at all procurement levels; more time needed for funding agencies to review proposals and approve funding; more time needed for manufacturers to produce the items; and increased delivery times. If a transit agency requests an item (such as an electronic component) that is not a proven technology, warranty costs increase as well.

#### No nation-wide economic benefits – companies will go to Canada

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

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With regard to bus manufacturing, another key assumption of this analysis is that substantially increasing bus orders will not alter the current market shares of the five U.S. manufacturers, which is unlikely to be the case if the industry expands rapidly. The employment impact across states will vary considerably depending on which companies win contracts for new buses. Two of the companies, New Flyer and Orion, have very substantial Canadian manufacturing operations. If these companies manufacture bus parts and components in Canada rather than in the United States, then the true domestic employment impact could be overstated. This concern could become greater if their U.S. facilities reach full capacity. However, the Buy America provisions will prevent them from importing more than 40 percent of the parts and components of the buses purchased in the United States with federal monies.

#### TURN – DOMESTIC CONTENT SLOWS DOWN INFRASTRUCTURE DEVELOPMENT

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

Joan Fitzgerald is professor and director of the graduate program in Law, Policy and Society and a Senior Research Fellow at the Kitty and Michael Dukakis Center for Urban and Regional Policy at Northeastern University. Lisa Granquist is a Ph.D. student in the Law, Policy and Society Program in the School of Public Policy and Urban Affairs at Northeastern University. Ishwar Khatiwada is a Senior Research Associate at the Center for Labor Market Studies at Northeastern University. Joseph McLaughlin is a Senior Research Associate at the Center for Labor Market Studies at Northeastern University. Michael Renner is a Senior Researcher at the Worldwatch Institute. Andrew M. Sum is Professor of Economics and Director of the Center for Labor Market Studies at Northeastern University. Reviving the U.S. Rail and Transit Industry: Investments and Job Creation, Sept

The estimates provided in this report reveal that full domestic sourcing would dramatically increase employment. Yet interviews with industry representatives suggest that increasing the share of domestic sourcing may present practical challenges on the ground. Supply chains have been developed around the 60 percent requirement, and, already, suppliers of some key components of transit vehicles have near-monopoly power. Transit vehicle producers fear that increasing the percentage could also increase the cost of several key inputs. Moreover, the United States no longer produces some key components, so waiting for U.S. manufacturers to gear up would slow down infrastructure development. If the country is serious about achieving a goal of greater domestic content, it must be equally serious about developing the necessary supply chain and ensuring markets for suppliers.

#### BUY AMERICAN HURTS US COMPANIES BOTTOM LINE

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

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In essence, there is a chicken-and-egg problem. Increased domestic content requires more complete domestic supply chains, but unless there is enlarged demand it will be difficult to call forth the supply. Raising the Buy America provision to 100 percent presents special challenges. U.S. manufacturers of systems and component parts have established cost-efficient partnerships with manufacturers and suppliers of subcomponents in other regions of the world.2 In the bus industry, these out-of-country suppliers generally provide lower-technology subcomponent parts such as wheels and fasteners that have less complex manufacturing processes than parts manufactured in the United States. These parts are ubiquitous in the global marketplace, so firms often source them from regions that have less technologically advanced manufacturing industries and the lowest production costs, while firms in regions with more skilled and technologically advanced manufacturing industries expand their capacity to produce components that have a higher valueadded in the product stream.3 For example, in 2009, ArvinMeritor, a U.S. company that is the sole supplier of transit bus and rail axle systems, divested its wheel business to IochpeMaxion, S.A., a Brazilian company that produces wheels, frames, and castings for commercial vehicles and rail cars.4 The wheels are made in China by IochpeMaxion’s wholly owned subsidiary, Maxion (Nantong) Wheels Co. Ltd.5 Divesting low-margin manufacturing activities can help make U.S. firms stronger interna- tional competitors, and, by increasing firms’ bottom lines, it can contribute to creating and retaining more higher technology living-wage jobs in the United States.

#### Buy America increases costs and delays the plan

Reutter 10 Mark Reutter is the former editor of Railroad History and author of Making Steel: PPI Fellow, PROGRESSIVE POLICY INSTITUTE, 6-14, http://progressivepolicy.org/is-100-american-content-the-best-route-for-high-speed-rail

The Obama administration’s determination to enforce 100 percent American content for high-speed train systems is roiling the rail supply industry, with some executives saying the rule would be “impossible” to achieve and others wondering how much it will slow down high-speed rail (HSR) development and add to the sticker price. “We’re living in a global rail industry,” said an official at a large U.S. transportation manufacturer that depends on foreign parts. “Insisting on all-American content could mean losing 10 years in building our HSR supply chain.” Karen Rae, deputy director of the Federal Railroad Administration, surprised rail advocates when she announced last month that the White House has decided to enforce the “domestic buying preference” provision of the Passenger Rail Investment and Improvement Act (PRIIA), which authorized $8 billion in HSR grants to state governments earlier this year. Rae said at a conference sponsored by America 2050 that the administration had determined there was “enough excess manufacturing capacity in the country” to permit HSR equipment to be made of U.S. content. As a result, the administration did not anticipate issuing exemptions from the domestic buying rule, as permitted under Section 504(2) of PRIIA. While Rae lauded the decision as a tool “to help reenergize manufacturing in the U.S.,” executives canvassed in the railway supply business say the provision could have the opposite effect. “We could wind up getting 100 percent of nothing,” said one executive who exchanged candor for anonymity. Things We Don’t Make Anymore He and others say the biggest obstacle to American content is simply that this country does not produce some critical components. Take computer chips. They are not made in the U.S. There are American-owned suppliers, such as Intel, but the product itself is manufactured in Asia. Computer chips are everywhere in modern rail cars, controlling the electric doors, regulating the heat and air conditioning, monitoring the mechanical and electrical systems, managing the P.A. systems and customer-information signs, to say nothing of Wi-Fi and other electronics that would be required in any HSR car order. Outside of components, the sad fact is that there has not been a builder of passenger cars since Pullman-Standard Co. completed an order for Superliner cars for Amtrak in the 1980s and then went out of business. In place of Pullman-Standard and other former U.S. manufacturing powerhouses, such as the Budd Co., a number of foreign-based companies have developed facilities to assemble rail cars. The German giant, Siemens, builds light-rail vehicles (streetcars) from imported parts at a factory in Sacramento. Japan’s Kawasaki assembles commuter railcars in Lincoln, Neb., and New York City subway cars in Yonkers, NY. French-based Alstom built Surfliner shells for the state of California in Brazil, shipped them to Baltimore and trucked them to a former railroad shop in Hornell, NY, for final assembly. Bombardier built the shells for Amtrak’s Acela trains in Quebec and then shipped them across the border to a plant in Vermont for finishing. Talgo builds in Spain, but can do final assembly in the U.S. Morrison Knudsen tried to break into the car-building business 20 years ago, but failed when projects like the proposed “Texas Triangle” HSR line collapsed. In short, while there are many abandoned manufacturing plants in the U.S., it would take time to convert these plants into usable spaces for HSR equipment. Even more time and treasure would be required to develop a workforce capable of building technology that has more in common with modern aviation than lumbering freight trains. What’s Consistent with the Public Interest? China has offered to supply the equipment and engineers to help build California’s proposed HSR line between San Diego and Sacramento. If California accepted China’s offer, would the state have to repay the $2.25 billion it was awarded in PRIIA funding? The language of the federal law is broadly written. In carrying out a rail project “funded in whole or in part with a grant under this title,” PRIIA calls for recipients to purchase “only unmanufactured articles, material, and supplies mined or produced in the U.S.” or “articles, material, and supplies manufactured in the U.S. substantially from articles, material, and supplies mined, produced, or manufactured in the U.S.” The U.S. Department of Transportation (DOT) can waive this rule under three conditions: if the article is unreasonably expensive, if it is not produced in sufficient quantities, or if the requirement is “inconsistent with the public interest.” It was assumed by the supply industry that the administration would use the law’s exemption liberally in order to expedite development of HSR lines. But Rae said that DOT’s No. 2 official, John Porcari, has been working with the White House to develop plans for 100 percent content and did not plan to issue any waivers. Unintended Consequences According to several suppliers, the literal interpretation of PRIIA could actually discourage American companies from entering the HSR field. “Who wants to go through all these hoops only to find out you’re disqualified because some component is not considered American by a bureaucrat,” asked an executive. One of the clearest-cut beneficiaries of the rule would appear to be domestic steelmakers supplying new track and structural steel. But who or what is a domestic steelmaker these days? Is it a company that owns plants in the U.S., a company owned by U.S. stockholders, or a company domiciled in the U.S.? At present, foreign-owned-and-headquartered corporations control more than 35 percent of steel produced in the U.S. What’s more, half of the steel made here originates from raw materials mined outside of the country. Similarly, GE Transportation, based in Erie, Pa., does a brisk business selling heavy-haul freight locomotives to China, Mexico, Brazil and Australia. Creating barriers for foreign suppliers may mean that overseas railroads won’t buy American in retaliation. Getting Back on Track The Obama administration would be wise to break free from the protectionist impulses of PRIIA and let all domestic and global rail suppliers compete for HSR contracts. Out of such competition, the best equipment and lowest prices should emerge. A robust government policy toward high-speed rail would do wonders to revitalize entrepreneurship and encourage the private sector to enter the field. This is the true challenge facing the Obama administration — establishing a long-term strategy for HSR, including how to finance the system. Parsing what is and isn’t “100% American” isn’t sound policy, it’s crowd-pleasing politics that will only delay the implementation of the administration’s own program.

# OTHER THINGS

## POLITICS LINKS

#### Even modest attempts to expand investment would never make it through the Congress

Fitzgerald et al, Granquist, Khatiwada, McLaughlin, Renner and Sum 10

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In reports such as this one, the authors are constrained by the boundaries of current policy debate if they expect to be taken seriously. As a result, even though the above analysis indicates that the level of funding proposed under the International Competitiveness scenario would most forcefully accelerate the development of a strong U.S. transit industry, the less-ambitious Increased Domestic Investment level is recommended here—and even this is an aggressive funding scenario given the current political climate.

#### There’s zero chance of you winning a turn – House republicans will do everything they can to stop Obama from claiming any jobs victory

Cooper 12 Donna is a Senior Fellow at American Progress. Will Congress Block Infrastructure Spending? 1-25, http://www.americanprogress.org/issues/2012/01/infrastructure\_sotu.html

At first glance it would appear that the president’s call to invest in infrastructure should enjoy wide bipartisan support. The leadership of both parties in Congress is on record as strong advocates for rebuilding the nation’s roads, bridges, rail, ports, and airports. On Fox News earlier this week, Speaker of the House John Boehner (R-OH) said he wants the president to follow the recommendations of the White House Jobs and Competitiveness Council on increasing federal investments in infrastructure (look for the transcript on the speaker's blog). And Senate Minority Leader Mitch McConnell (R-KY) is on the record saying, “Everybody knows we have a crumbling infrastructure. Infrastructure spending is popular on both sides. The question is how much are we going to spend.” Senate Majority Leader Harry Reid (D-NV) and House Minority Leader Nancy Pelosi (D-CA) also strongly support President Obama’s infrastructure plans. But bipartisanship isn’t always what it seems, especially when it comes to infrastructure. In 2011 Republicans in the House and Senate unveiled a new strategy that linked new infrastructure investments with divisive environmental proposals. They know this linkage is unacceptable to the president, Senate Democrats, and most of the American public. Yet congressional Republicans are making this push so they can block movement to create jobs and rebuild our infrastructure while sounding like they are in favor of policies that do both. This is a serious claim, but the evidence is clear. In the past year, instead of rolling up their sleeves and drafting long-term highway and aviation spending bills, the House leadership cranked out a package of bills that include measures to weaken clean water and clean air protections and to restrict union organizing. They disingenuously called this a "jobs package." In spite of the compelling evidence that federal investments in infrastructure are an effective tool for creating jobs—the U.S. Department of Transportation 2007 estimates indicated that $1 billion in highway investments can create 27,800 jobs—this “jobs package” included the House-passed fiscal year 2012 budget bill that makes deep cuts in spending for highway and other surface transportation repairs. This package of bills willfully neglects the dire state of our aging infrastructure and the need to create more well-paying construction jobs. They haven’t stopped there. While ignoring the president’s very popular American Jobs Act, they’ve joined the all-out offensive campaign to push the environmentally dangerous Keystone pipeline project, claiming it as their solution to the jobs crisis. This project is more like a jobs pipedream. It’s already three years behind schedule and may never see the light of day due to broad-based U.S. opposition to building the pipeline, including from the Republican governor of Nebraska, who opposes the pipeline route through his state. None of this is news to the House Republicans. They are desperate to shift attention away from their failure to advance legislation to address our nation’s crumbling infrastructure because they are more concerned with blocking a jobs victory for President Obama that would help him win the 2012 presidential election. Emblematic of this strategy was the announcement in a November House leadership press conference where Speaker Boehner indicated that he intended to release a multiyear highway funding bill early in 2012 and fund it with revenues dependent on a massive expansion in oil-and-gas drilling offshore and on public lands, including in the Arctic National Wildlife Refuge in Alaska. The only problem is that the House leadership knows that this drilling-dependent approach is likely to be dead on arrival in the Senate. Just this past May, 57 senators voted against a motion to proceed to consider the House bill to permit expanded offshore oil-and-gas drilling. If the House leadership were sincere about creating new construction jobs, then why not start by getting behind a bill that can pass both chambers so that private contractors can get to work repairing more of the 150,000 bridges that need it or the $52.3 billion in improvements needed at the nation’s airports? Instead we are now on the eighth temporary extension of a federal highway bill that expired in 2009 and now only runs through the end of March 2012. Then there’s the Federal Aviation Administration funding bill. Yesterday before the president’s State of the Union address, House Transportation Committee Chairman John Mica (R-FL) held a vote for the 23rd temporary extension of the legislation that will provide funding for our airport safety and construction only through the end of February 2012. These extensions enable the status-quo level of inadequate funding for infrastructure to limp along while our national assets crumble. The House Republicans have blocked the passage of a long-term aviation funding bill for the past two years, demanding that arcane and unfair union election rules be included in the bill. As of today a compromise among all parties takes the union issue off the table. But there are many more details to work out, including the level of funding and what is funded. Given the Republican track record on passing the legislation that is needed to rebuild our infrastructure, it is premature to consider this aviation funding bill a done deal. The House is not the only problem. Sen. Reid late in 2011 put the president’s American Jobs Act, which included $60 billion to repair our schools and fund a National Infrastructure Bank, to a vote, but Senate filibuster rules that require 60 favorable votes to put a bill on the floor for consideration made moving this infrastructure funding bill impossible. After failing to reach that 60-vote threshold, Sen. Reid said, “Republicans think that if the economy improves, it might help President Obama. So they root for the economy to fail and oppose every effort to improve it.” Indeed, Sen. McConnell blocked passage of the Senate version of the Jobs Act while lambasting the president for pointing it out and blasting the Senate Democrats for not working with the House Republicans to reach a compromise. But that statement begs the question of why McConnell isn’t working with his own party’s leadership in the House to make sure the Senate receives a bill that has a chance of a positive vote. The answer is clear: The Republican leadership is very concerned that responding to the American popular call for infrastructure investment will benefit President Obama politically—never mind the pain suffered by the American people and our future economic competitiveness by their failure to act. The president should not be deterred, however, by the roadblocks he faces in Congress. In his speech in Kansas this past December, he summoned the nation to redouble its commitment to an economy that lifts all boats.