# Investment Definitions

## \*\*\* Direct Spending Definitions

### Spending

#### Government investment is public spending

Yoshida 2k(December 2000, Tsuneaki Yoshida, Professor, Faculty of International Department, Takushoku University, “JAPANÕS EXPERIENCE IN INFRASTRUCTURE DEVELOPMENT AND DEVELOPMENT COOPERATION,” <http://www.jbic.go.jp/en/research/report/jbic-review/pdf/report03_5.pdf>, ngoetz)

In Japan, infrastructure investment (development) is practically synonymous with public or government investment; however, they are, strictly speaking, different things. For example, in national account, public investment means government capital formation, and does not include spending on land. However, government investment means expenditure items in the public sector, which includes expenditure on land. In section one of this paper, infrastructure investment means public investment. On the other hand, it should be noted that in section four, infrastructure investment means government investment. However, even if these are regarded as the same thing, the arguments and conclusions in this paper can retain their significance

### EXT – Spending

#### Transportation infrastructure investment is monetary funding

Neil Planzer, 2009 (Vice President, Boeing Aircraft Management), NEXTGEN: A REVIEW OF THE RTCA MID-TERM IMPLEMENTATION TASK FORCE REPORT, House Hrg., Oct. 28, 2009, 176-177.

Leadership also includes accountability. Clear metrics must be established to measure the progress of the government as it quickly introduces NextGen. Without such measurable responsibility, we put at grave risk the necessary speed and effectiveness in bringing NextGen on line within the next few years. Finally, leadership means a very serious commitment to infrastructure investment. That is something we're all familiar with on the ground; now it needs to be applied to equipping aircraft to take advantage of NextGen technology. Given the cost of equipage and the length of time it could take for an individual user to see a payback in such an investment, such funding is crucial. This is **infrastructure investment** that can pay off in the next few years; that payoff is within our reach. To place this in perspective, were Congress to provide a level of funding comparable to its funding for high-speed rail projects in this year's stimulus legislation, NextGen would be an early reality. Without this leadership and funding, implementation of NextGen will drag on, and our nation will suffer even more from airport and airway congestion.

#### “Investment” requires spending or commitment of capital

Pedactor 11 (Ronald, “Learning About Investing or Saving”, North America Discount Gold, 6-6, http://www.northamericandiscountgold.com/learning-about-investing-and-saving/)

The term “Investment” is defined as the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income, or appreciation of the value of the instrument. No matter your financial situation, investing and saving is essential.

#### “Infrastructure investment” is spending

CBO 8 (Congressional Budget Office, “Issues and Options in Infrastructure Investment”, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/91xx/doc9135/05-16-infrastructure.pdf)

Current Spending on Infrastructure

Under any definition, “infrastructure investment” encompasses spending on a variety of projects. For present purposes, it is useful to distinguish transportation, which receives the bulk of federal support, from other types of infrastructure, such as utilities. Both types of assets promote other economic activities: An adequate road, for example, facilitates the transport of goods from one place to another and thereby promotes economic activity; utilities that provide such services as electricity, telecommunications, and waste disposal are also essential to modern economies. (Appendix A describes spending on research and development and on education. Those categories form the basis for supporting intellectual and human capital, respectively, and can provide benefits that are similar to those generated by infrastructure spending.)

### Capital Spending

#### “Investment” requires capital expenditure

Anderson 6 (Edward, Lecturer in Development Studies – University of East Anglia, et al., “The Role of Public Investment in Poverty Reduction: Theories, Evidence and Methods”, Overseas Development Institute Working Paper 263, March, http://www.odi.org.uk/resources/docs/1786.pdf)

1.3 Definitions

We define (net) public investment as public expenditure that adds to the public physical capital stock. This would include the building of roads, ports, schools, hospitals etc. This corresponds to the definition of public investment in national accounts data, namely, capital expenditure. It is not within the scope of this paper to include public expenditure on health and education, despite the fact that many regard such expenditure as investment. Methods for assessing the poverty impact of public expenditure on social sectors such as health and education have been well covered elsewhere in recent years (see for example, van de Walle and Nead, 1995; Sahn and Younger, 2000; and World Bank, 2002).

#### “Investment” requires capital expenditure

IER 4 (Institute for Economic Research and Policy Consulting in Ukraine, “How to Improve Public Investment Efficiency in Ukraine?”, February, http://www.osteuropa-institut.de/ext\_dateien/how%20to%20improve.pdf)

1. Definitions and recent trends

1.1. Definitions

Throughout the paper public investment is defined as capital expenditure financed out of the central or local budgets, in the Treasury definition. This comprises purchases of fixed assets including repairs and reconstruction, the creation of state reserves, purchases of land and intangibles, and capital transfers to enterprises, other levels of government, the population, or abroad. This differs from Derzhkomstat’s definition of public capital investment, also used in this paper.1

### R&D, State Grants, ect

#### Federal investment includes capital investment, R&D, investment in education and training, and grants to states

Puentes et al 9(December 2009, Robert Puentes, Affiliated Professor, Georgetown University Public Policy Institute, M.P., University of Virginia, 1998 B.S., Old Dominion University, 1990, Emilia Istrate, PhD in Public Policy from George Mason University, with specialization in regional economic development, graduate degrees in international studies from the Diplomatic Academy of Vienna, Austria and the Johns Hopkins University School of Advanced International Studies (SAIS), senior research associate and associate fellow with the Metropolitan Policy Program at Brookings, METROPOLITAN INFRASTRUCTURE INITIATIVE SERIES, METROPOLITAN policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” <http://www.brookings.edu/~/media/research/files/reports/2009/12/10%20infrastructure%20puentes/1210_infrastructure_puentes.pdf>, ngoetz)

While convoluted, the distinctions around federal investment are important for any discussion on improving the federal investment process for infrastructure. Currently, OMB considers federal investment as the sum of major public physical capital investment, investment in research and development, and investment in education and training. Overall, federal investment in infrastructure is a very small share of the total federal spending and is comprised mostly of transportation grants with contract authority. This type of budget authority insulates significantly most of the federal investment in infrastructure from the annual appropriation process. In addition, the state and local grants represent federal investment that does not add to the federal capital stock. All these issues complicate the debate around the federal investment process.

### EXT – State Grants

#### State grants education is the core of the topic – it is more than three quarters of the federal transportation investment

Puentes et al 9(December 2009, Robert Puentes, Affiliated Professor, Georgetown University Public Policy Institute, M.P., University of Virginia, 1998 B.S., Old Dominion University, 1990, Emilia Istrate, PhD in Public Policy from George Mason University, with specialization in regional economic development, graduate degrees in international studies from the Diplomatic Academy of Vienna, Austria and the Johns Hopkins University School of Advanced International Studies (SAIS), senior research associate and associate fellow with the Metropolitan Policy Program at Brookings, METROPOLITAN INFRASTRUCTURE INITIATIVE SERIES, METROPOLITAN policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” <http://www.brookings.edu/~/media/research/files/reports/2009/12/10%20infrastructure%20puentes/1210_infrastructure_puentes.pdf>, ngoetz)

Transportation is also interesting in budget debates because it represents a case where the federal government invests in capital assets it does not own such as state and local roads. More than three quarters of the federal transportation investment goes to state and local assets (Figure 3). 12

### EXT – R&D

#### “Investment” is spending government resources to develop infrastructure

Laos 10 (Laos Ministry of Planning and Investment, “Manual For Public Investment Program (PIP) Program Management”, August, <http://www.jica.go.jp/project/laos/0700667/materials/pdf/ProgramManual/ProgramMa> nual\_eng.pdf)

Public investment is defined as investment from government resources, domestic or foreign, with the objective of development in the sector and/or region. Domestic PIP projects, ODA in forms of grant, technical assistance and loan are main components. Provision of public infrastructure (ex. roads, bridges, irrigation systems, public hospitals and schools, rural electrification etc.) and technical promotion (ex. training) is generally done using public investment.

### Spending in the sector

#### “Infrastructure investment” is spending in the sector

Jimenez 95 (Immanuel, Appointed Director of Public Sector Evaluations – Independent Evaluation Group of the World Bank Group, “Human and Physical Infrastructure: Public Investment and Pricing Policies in Developing Countries”, Handbook of Development Economics, Vol. III, Ed. Behrman and Srinivasan, p. 2774)

1. Introduction and overview

Almost by definition, infrastructure is the basis for development. 1 For an economy, it is the foundation on which the factors of production interact in order to produce output. This has been long recognized by development analysts, and infrastructure, often termed "social overhead capital," is considered to include:

•.. those services without which primary, secondary and tertiary production activities cannot function. In its wider sense it includes all public services from law and order through education and public health to transportation, communications, power and water supply, as well as such agricultural overhead capital as irrigation and drainage systems [Hirschman (1958) p. 83].

These seemingly diverse services share some common traits that are important in economic analysis. They are generally not tradeable. Although they may affect final consumption directly, their role in enhancing output and household welfare can also be indirect - in facilitating market transactions or in making other economic inputs more productive. Finally, and perhaps most importantly, the many infrastructure services share characteristics, such as scale economies in production, consumption externalities and non-exclusivity, that have been used to justify a large role for public policy in their provision and financing.

This chapter will focus not only on what has traditionally been considered the "core" infrastructure sectors, which enhance the productivity of physical capital and land (mainly transportation and power). It will also include human infrastructure- or those services that raise the productivity of labor (health, education, nutrition). This is a broadening of the definition that was given great prominence by Schultz (1963) and Becker (1964) and that has since been widely accepted by both scholars and practitioners.

Public investment will be defined broadly to include all government spending in these sectors, rather than just capital expenditures as traditionally defined in official statistics. This is to ensure that the economic issues regarding recurrent as well as capital spending are covered, since both have been the focus of the recent iiterature. Moreover, the chapter will emphasize recent policy debates, but will not present in detail the basic theoretical concepts underlying them.

#### Public “Investment” is allocation by the State – their evidence assumes private investment

VNN 7 (Viet Nam News Agency, “New Law Regulates Government Investment in Public Projects”, 8-30, http://www.unescap.org/tid/tisnet/news1007.asp)

New law regulates Government investment in public projects. Viet Nam News Agency, 30 August 2007.

The Ministry of Investment and Planning has introduced a draft Law on Public Investment. The Law on Public Investment will complete the country’s legal system on investment. It defines public investment as any funds not for trading purposes but money that the State allocates from its budget to invest in industries and areas which serve the public interest. It contains many new clauses about investment management as well as project supervision and appraisal, which until now have not been regulated in legal documents. It also outlines roles and responsibilities over public investments for State offices at different levels. The document will be amended for submission to the Government in September after offices and research units have provided their opinions on the draft.

### Spending, Regulation, Subsidies

#### Government investment is governmental programs, spending, expenditures for licensing and regulation, and subsidies

Warner et al 4(January 2004, Mildred Warner, Professor in the Department of City and Regional Planning at Cornell University, B.A., Oberlin College, 1979 M.S., Cornell University, 1985 Ph.D., Cornell University, 1997, Rosaria Ribeiro, from Measuring the Regional Importance of Early Care and Education: The Cornell Methodology Guide, “Section 6: Economic development effects of government investments in child care,” <http://government.cce.cornell.edu/doc/html/MethodologyGuide_section6.htm>, ngoetz)

Government investment in child care improves the quality of early education, assists in the regulation of the child care market, and ensures that quality child care is accessible to low-income working parents. There are four main types of government investment in child care: 1) government funded programs, 2) direct payments to providers to improve quality, 3) expenditures for licensing and regulation, and 4) subsidies to support working parents.

### AT All Spending

#### Investment is distinct from total government spending

Collenette 2k(2000, David M. Collenette, P.C., M.P. Minister of Transportation of Canada Transportation in Canada, TRANSPORTATIONINCANADA 1999, “TRANSPORTATION AND REGIONAL ECONOMIES,” <http://publications.gc.ca/collections/Collection/T1-10-1999E.pdf>, ngoetz)

Government expenditures refer to government spending on transport, other than investment, the largest component of which is road maintenance. It forms the final component of the traditional economic accounting relative to final domestic demand, where final domestic demand = consumption + investment + government spending.

## \*\*\* Private Sector Definitions

### Spending and Private Grants

#### Infrastructure investment is direct spending and grants to the private sector

OECD 11 (2011, Organisation For Economic Co-Operation And Development, Government at a Glance 2011, III. Public Finance and Economics, “ 9. General government investment,” <http://books.google.com/books?id=X1YWQ0rP4fEC&pg=PA74&lpg=PA74&dq=%22Government+investment+creates+a+public+infrastructure+that+is+essential+for+long-term+economic+growth+and+societal+well-being.+Governments+spend+money+on+building+roads,+housing,+schools+and+hospitals,+as+well+as+communications+networks.+In+addition,+governments%22&source=bl&ots=mHQZCVy9VG&sig=BvlbjKpafeL2sXDd91k1fQ1epwU&hl=en&sa=X&ei=Zjj-T8XiMYWjrQGjrrCKCQ&ved=0CEMQ6AEwBA#v=onepage&q&f=false>, ngoetz)

Government investment creates a public infrastructure that is essential for long-term economic growth and societal well-being. Governments spend money on building roads, housing, schools and hospitals, as well as communications networks. In addition, governments can provide grants (transfers) to the private sector to encourage their investment activities. In response to the economic downturn, many OECD governments introduced stimulus plans in 2008 featuring an increase in government capital expenditures through investments in soft and hard infrastructure.

####  “Investment” is direct spending on infrastructure, grants to support private sector for asset creation

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

Appendix A: Technical Definitions of Infrastructure Investment

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

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

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

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

### Gov Expenditures – Incentives

#### Government investment in infrastructure are government expenditures – includes tax breaks, subsidies, and incentives

Wu 9(2009, Tim Wu, Professor of Law at Columbia Law School, a Fellow at the New America Foundation, Chairman of Free Press, 2009, The Catholic University of America, CommLaw Conspectus, Derek Slater, Policy Analyst for Google Inc, “HOMES WITH TAILS: WHAT IF YOU COULD OWN YOUR INTERNET CONNECTION?” 18 CommLaw Conspectus 67, lexis, ngoetz)

One example of a government investment stimulus would be to provide financial incentives to carriers or other fiber providers. For example, governments could give tax breaks to carriers if they deploy multiple strands of fiber to a home, sell one or more strands to the homeowner, and enable the homeowner to connect those strands to competing service providers. n126 Once a carrier is already digging up the streets to run one strand of fiber to a home to sell their own services, the cost of running a second or third strand is relatively small. As such, a "home with tails" tax incentive would not impose much burden on carriers, and in fact, could be nearly pure profit. n127

 [\*94] Governments could also target incentives at consumers themselves, just as is done with other forms of infrastructure. For example, the home mortgage deduction in the United States encourages Americans to buy residential real estate, and thereby subsidizes the building of infrastructure, in this case, homes. n128 In recent years, Congress has also enacted more specific incentives for home improvement in ways perceived to be of general benefit. The Energy Policy Act of 2005 is a leading example of this targeted incentive, which aims to spur Americans to invest in energy efficient products and renewable sources of energy. n129

These tax credits are designed not just with the consumer in mind, but with economic spillovers, or externalities, as well. n130 A home that relies on solar power, for example, saves money not just for the homeowner, but also decreases the costs imposed on others through pollution or the creation of greenhouse gases. n131 Hence, a solar power tax credit has stronger justifications than, say, a tax credit on the purchase of engagement diamonds.

Significant spillovers come from broadband deployment, and thus the tax credit model may be a suitable model for encouraging broadband investment, provided that a market for purchasing last-mile connections develops. n132 Consider, for example, a maximum $ 1,000 refundable tax credit for any homeowner who purchases property rights in a last-mile broadband connection. The credit would obviously encourage more purchases of such connections than we would expect to see otherwise.

Such **an incentive would be a significant government expenditure**, especially if successful. But compared to other ways of supporting broadband connectivity, the tax credit model may prove highly efficient. First, the tax credit model has fewer enforcement problems compared to a model that directly subsidizes service providers to deploy broadband services. Subsidy programs create the potential for money to be collected without the industry actually taking the actions they were subsidized to do. Second, this tax credit would support local decision-making in the spending of government money. Consumers would be deciding to purchase last-mile connections based on their own needs, as opposed to the sense of a central planner.

### Loan Guarantees, grants,

#### Loan guarantees are a form of transportation infrastructure investment.

Cooper 12 — Donna Cooper, Senior Fellow with the Economic Policy Team at the Center for American Progress, 2012 (“Meeting the Infrastructure Imperative: An Affordable Plan to Put Americans Back to Work Rebuilding Our Nation’s Infrastructure,” Center for American Progress, February, Available Online at http://www.americanprogress.org/issues/2012/02/pdf/infrastructure.pdf, Accessed 07-02-2012, p. 16)

Within the Department of Transportation, more than 100 different programs share the responsibility for transportation investments.34 An additional five federal agencies are responsible for oversight of significant infrastructure improvements and systems, including the Departments of Energy, Defense, Treasury, and Agriculture, alongside the Environmental Protection Agency. These agencies have three infrastructure funding and financing tools at their disposal:

• Direct grants

• Loans and loan guarantees

• Tax expenditures

### AT Loan Guarantees

#### Loan guarantees are distinct from investment

Lai et al 9(April 3, 2009, Van Son Lai and Issouf Soumaré, Laval University, Faculty of Business Administration, Department of Finance and Insurance, Quebec (Quebec), Canada, An Analysis of Government Loan Guarantees and Direct Investment through Public-Private Partnerships,” <http://www.efmaefm.org/0EFMAMEETINGS/EFMA%20ANNUAL%20MEETINGS/2009-milan/EFMA2009_0368_fullpaper.pdf>, ngoetz)

The government may intervene in several ways. Here we will study two forms of government intervention: (i) loan guarantee and (ii) direct investment. Loan guarantee support consists of insuring the project's debt. We will assume that the loan guarantee agreement compels the government to cover debt up to haircut level H. Direct investment support, by comparison, consists of contributing directly to the initial investment in the project. With direct investment support, we will assume the government contributes amount K to the project. Government direct investment may be either investment subsidy or equity participation or both. With equity participation, the government receives ® share of net revenue after taxes and debt repayment and the project sponsors keep the residual, i.e., 1 ¡ ® of the pro¯t.

### AT Tax Expenditure

#### Tax Expenditures are funding mechanisms for investment, not investment

CBO 8 (Congressional Budget Office, “Issues and Options in Infrastructure Investment”, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/91xx/doc9135/05-16-infrastructure.pdf)

2. The federal government also funds investments in infrastructure through “tax expenditures,” which represent the cost of tax receipts that are forgone because of the exclusion of interest on tax-exempt municipal bonds from personal and corporate gross income and certain other tax preferences. In 2006, tax expenditures for transportation, water resources, and water supply and wastewater treatment systems totaled about $8 billion.

## \*\*\* Qualitative Definitions

### Help the Econ

#### Federal investments are outlays that help the economy

Puentes et al 9(December 2009, Robert Puentes, Affiliated Professor, Georgetown University Public Policy Institute, M.P., University of Virginia, 1998 B.S., Old Dominion University, 1990, Emilia Istrate, PhD in Public Policy from George Mason University, with specialization in regional economic development, graduate degrees in international studies from the Diplomatic Academy of Vienna, Austria and the Johns Hopkins University School of Advanced International Studies (SAIS), senior research associate and associate fellow with the Metropolitan Policy Program at Brookings, METROPOLITAN INFRASTRUCTURE INITIATIVE SERIES, METROPOLITAN policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” <http://www.brookings.edu/~/media/research/files/reports/2009/12/10%20infrastructure%20puentes/1210_infrastructure_puentes.pdf>, ngoetz)

Budgeting terms and definitions can be rather arcane and ambiguous. Nevertheless, they are critical for any discussion of federal spending. The Office of Management and Budget’s (OMB) annual analysis of the federal budget has included a chapter on “federal investment” for almost sixty years. OMB defines federal investment as federal outlays that produce long-term benefits to the national economy. The spending is split into three major categories: major public physical capital investment, investment in research and development, and investment in education and training. 3

### Intent of Returns

#### Government investment must be intended for profit

Buchanan 6 (Fall, 2006, Neil H. Buchanan, Professor of Law @ GW, B.A., Vassar College; M.A., Ph.D., Harvard University; J.D., University of Michigan, Virginia Tax Review, “Is It Sometimes Good To Run Budget Deficits? If So, Should We Admit It (Out Loud)?” 26 Va. Tax Rev. 325, ngoetz)

This possibility has long been well understood by macroeconomists. Blinder, for example, notes that "government investments ... entail expenditures today in order to reap returns tomorrow," n64 referring to evidence that the United States has underinvested in public infrastructure capital such as "roads, bridges, airports, and waste treatment facilities" and that such investments have high rates of return. n65 He also noted that "prenatal care, postnatal care, and preschool education have very high rates of return [but] the benefits come much later." n66 Similarly, Robert Gordon has argued that the "real problem for policy ... is the lack of public investment." n67

### AT Intent Must be For Profit

#### Government investment doesn’t have to be profitable

Clarke 3 (Winter, 2003, Donald C. Clarke, Research Professor of Law at GW, specialist in Chinese law, B.A., Princeton University; M.Sc., University of London; J.D., Harvard University, The American Society of Comparative Law, “Economic Development and the Rights Hypothesis: The China Problem,” 51 Am. J. Comp. L. 89, lexis, ngoetz)

The threat of arbitrary expropriation in China today does not come from the central government; it comes from local government. n61 It is local government that is the most closely acquainted with a firm's financial health and that has the greatest incentive and ability to loot it. A firm owned by local government is obviously not subject to this uncertainty, since the local government internalizes the cost of whatever decision it makes about distribution of TVE profits. Local government investment in an enterprise, then, is (unlike local private investment) absolutely undeterred by the worry that the investor cannot fully capture the return on the investment. With respect to superior levels of government, it appears that the property rights of local levels of government are quite robust. n62 Superior levels of government do not in general take from inferior levels without compensation.

## \*\*\* Other Definitions

### Not Maintenance

#### Transportation investment only includes new infrastructure, not maintenance

Collenette 2k(2000, David M. Collenette, P.C., M.P. Minister of Transportation of Canada Transportation in Canada, TRANSPORTATIONINCANADA 1999, “TRANSPORTATION AND REGIONAL ECONOMIES,” <http://publications.gc.ca/collections/Collection/T1-10-1999E.pdf>, ngoetz)

Whether made by business or government, “transport investment” can be defined as both new infrastructure construction and purchases of new machinery and equipment. Investment excludes repair and maintenance expenditure, which are expenditures on existing infrastructure, machinery and equipment.

### Includes Human Capital

#### Government investment includes spending on human and nonhuman capital for transportation

Cullison 93(Fall 1993, William E. Cullison, economist for the research department of the Federal Reserve Bank of Richmond, Federal Reserve Bank of Richmond Economic Quarterly, Volume 79/4, “Public Investment and Economic Growth,” <http://richmondfed.org/publications/research/economic_quarterly/1993/fall/pdf/cullison.pdf>, ngoetz)

The Department of Commerce publishes annual data on total government expenditures by function. The functions include the following: (1) expenditures for central executive, legislative, and judicial activities; (2) international affairs; (3) space; (4) national defense; (5) civilian safety; (6) education; (7) health and hospitals; (8) income support, social security, and welfare; (9) veterans beneﬁts and services; (10) housing and community activities; (11) recreational and cultural activities; (12) energy; (13) agriculture; (14) natural resources; (15) transportation; (16) postal service; (17) economic development, regulation, and services; (18) labor training and services; (19) commercial activities; (20) net interest paid; and (21) other.

When government investment is deﬁned broadly, including both human and nonhuman capital, some items in most of the 21 categories denoted above probably would be classiﬁed as investment. Examples discussed below include government expenditures for space, national defense, civilian safety, education, health and hospitals, income support, veterans beneﬁts, housing, agriculture, transportation, economic development, labor training, and commercial activities.

### AT NIB – Extra T

#### National infrastructure bank is investment +

Department of the Treasure, 3/23(The Department of the Treasury with the Council of Economic Advisers, "A New Economic Analysis of Infrastructure Investment" on March 23, 2012 from www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf AK)

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

### Includes Bonds

#### Bonds are T

Department of the Treasure, 3/23 (The Department of the Treasury with the Council of Economic Advisers, "A New Economic Analysis of Infrastructure Investment" on March 23, 2012 from www.treasury.gov/resource-center/economic-policy/Documents/20120323InfrastructureReport.pdf AK)

Our analysis indicates that further infrastructure investments would be highly beneficial for the U.S. economy in both the short and long term. First, estimates of economically justifiable investment indicate that American transportation infrastructure is not keeping pace with the needs of our economy. Second, because of high unemployment in sectors such as construction that were especially hard hit by the bursting of the housing bubble, there are underutilized resources that can be used to build infrastructure. Moreover, states and municipalities typically fund a significant portion of infrastructure spending, but are currently strapped for cash; the Federal government has a constructive role to play by stepping up to address the anticipated shortfall and providing more efficient financing mechanisms, such as Build America Bonds. The third key finding is that investing in infrastructure benefits the middle class most of all. Finally, there is considerable support for greater infrastructure investment among American consumers and businesses.

### Includes PPPs

#### Federal investment includes public-private partnerships --- narrower interpretations distort the topic

Heller 9 (Peter S., Former Deputy Director of the Fiscal Affairs Department – International Monetary Fund and Currently Senior Adjunct Professor of International Economics – Paul H. Nitze School of Advanced International Studies at The Johns Hopkins University, “Public Investment: Vital for Growth and Renewal, But Should it be a Countercyclical Weapon?”, <http://www.unctad.org/en/Docs/webdiae20091_en.pdf>)

While any capital outlay of a government would be defined as “public investment” in normal budgetary classification terms, this approach sidesteps a number of important conceptual issues. First, from a normative public finance perspective, the reason that governments spend on public assets is because some form of market failure is present that either leads to inefficient provision by the private sector or entails excess rents to a private producer. Specifically, the asset gives off externalities, positive or negative, or the asset is a “public good,” whose services are subject to “nonrivalness” in consumption or where it is difficult to exclude potential consumers. Or, there are economies of scale involved, such that a natural monopoly situation would be entailed, justifying either public provision or regulation of a private monopoly. Many kinds of infrastructural networks are subject to such natural monopoly conditions.

Moreover, the public sector’s role in public investment is not limited to its own budgetary spending. A simple focus on government outlays may yield too narrow a picture of the level of public investments and more importantly, a too restricted perspective on the potential role played by governments with regard to the provision of public infrastructure. Most obviously, when the government collaborates in a public-private partnership (PPP), most outlays will normally be made by private sector entities. Yet the purpose of these outlays would be to provide goods or services for which there is justified public involvement. And the government’s role in relation to the PPP arrangement—in terms of monitoring, regulation, risk bearing, and ultimately purchaser of the asset (long in the future perhaps but part of the PPP contractual terms)—will still remain prominent.

Similarly, in cases where the private sector invests in the production of goods characterized by natural monopoly conditions, government regulatory involvement is called for. In other spheres of private investment, a government regulatory or planning role may also be fundamental in order to take account of public policy objectives (in the case of externalities), though such investments would still be recognized as private.

The challenge of classifying public investment is rendered even more complex in the context of privatization efforts, where the sale of a government asset is classified, in budgetary terms, as a “negative investment,” though in fact the transaction simply represents a reclassification of ownership. The complexities of measuring public investment and the changes in the definitions that have occurred over time has led the OECD, in its recent effort to analyze the linkage between public investment and growth, to rely on indicators of physical stock rather than measures of the financial value of public investment or the net value of its capital stock. Rather than being misled by a narrow budgetary classification, what is important to recognize are the ways in which governments have a responsibility in the creation of capital goods and their need to intervene, particularly when market failure leads to underspending on goods vital for the realization of public policy objectives.

### Includes Non- Physical

#### “Investment” includes expenditure on non-physical assets

UN 10 (United Nations Trade and Development Board, “Public Investment in Administrative Efficiency for Business

Facilitation – Sharing Best Practices”, 2-15, http://unctad.org/en/docs/ciid8\_en.pdf)

2. Public investment is understood here as any public expenditure that adds to the public tangible and intangible capital. One of its very effective forms is investment in administrative efficiency for business facilitation, i.e. improving the transparency and simplification of business-related rules, and introducing eGovernment services.

# Secondary Definitions

## \*\*\* Gov Expenditures

###  Broad

#### Government expenditure includes tax expenditures, direct expenditures, grants to other governments, loan guaranties, government-owned corporations, and regulation

Laity 8 (Fall, 2008, Eric T. Laity, Virginia Tax Review, Associate Dean for Academic Affairs and Professor of Law, Oklahoma City University School of Law, B.A., J.D., Harvard University. “THE CORPORATION AS ADMINISTRATIVE AGENCY: TAX EXPENDITURES AND INSTITUTIONAL DESIGN,” 28 Va. Tax Rev. 411, lexis, ngoetz)

n22. The traditional analysis compares tax expenditures to direct expenditures. These are not the only two options, however. Other forms of government expenditure include grants-in-aid to state and local governments, loan guaranties, government-owned corporations, and regulation. See Lester M. Salamon, The Changing Tools of Government Action, in Beyond Privatization 3, 14-20 (Lester M. Salamon ed., 1989). Despite these other forms, this Article considers only direct expenditures as an alternative to tax expenditures. Furthermore, there are variations on programs of direct expenditures and tax expenditures. A program of direct expenditure could require either tax-deductible or non-deductible contributions from participants. An employer-administered program could be mandatory for all employers, with or without a tax subsidy to participants.

### AT Tax Credit

#### Government expenditures are not tax expenditures – the government must spend

Listokin 12(Winter 2012, Yair Listokin, Associate Professor of Law, Yale Law School, Yale Journal on Regulation, “Equity, Efficiency, and Stability: The Importance of Macroeconomics for Evaluating Income Tax Policy,” 29 Yale J. on Reg. 45, lexis, ngoetz)

Tax expenditures are viewed as substitutes for government expenditures. The Joint Committee on Taxation states that "special income tax provisions are referred to as tax expenditures because they may be considered to be analogous to direct outlay programs, and the two can be considered as alternative means of accomplishing similar budget policy objectives." n64 Instead of directly providing health insurance, the government subsidizes healthcare through the Tax Code by excluding employer-provided health coverage from income. On a smaller scale, the government encourages use of solar power by providing tax credits for those who install solar panels. Alternatively, the government could facilitate solar power by directly purchasing solar panels and distributing them to citizens.

#### Government expenditure is direct spending not tax credits

Listokin 12(Winter 2012, Yair Listokin, Associate Professor of Law, Yale Law School, Yale Journal on Regulation, “Equity, Efficiency, and Stability: The Importance of Macroeconomics for Evaluating Income Tax Policy,” 29 Yale J. on Reg. 45, lexis, ngoetz)

Academics have also devoted considerable energy to debating the efficiency of tax expenditures relative to direct spending. Direct government spending may "crowd out" alternative sources of public goods, as citizens choose to refrain from duplicating government expenditures. n68 Alternatively, tax expenditures "crowd in" private expenditures on public goods by making them appear cheaper to private givers. Under some conditions, there will be more spending on public goods if they are subsidized by the government than if they are provided directly by the government. n69 In addition, money on public goods may be spent more efficiently if there must be private sector "buy in," as is the case with tax expenditures but not with direct government spending. n70 David Weisbach and Jacob Nussim, by contrast, argue from an institutional design perspective that tax expenditures are efficient when public good provision is best administered through the Department of the Treasury, while government spending is preferred when other agencies have the necessary expertise. n71

### Spending and Loans

#### Government expenditures is capital spending and lending to government enterprises

Dhooge 99(1999, Lucien J. Dhooge, Assistant Professor of Business Law, University of the Pacific, LL.M. International and Comparative Law from Georgetown University Law Center 1995, J.D. from University of Denver College of Law 1983, “WE ARM THE WORLD: THE IMPLICATIONS OF AMERICAN PARTICIPATION IN THE GLOBAL ARMAMENTS TRADE,” 16 Ariz. J. Int'l & Comp. Law 577, lexis, ngoetz)

n38 See id. at 40. Central government expenditures are defined as "current and capital (developmental) expenditures plus net lending to government enterprises by central (or federal) governments." Id. at 189. The United States had the thirty-fourth highest military expenditures-to-central government expenditures ratio in the world in 1995. See id. at 40. By comparison, the military expenditures-to-central government expenditures ratio in the top-ranked United Arab Emirates was 38.4%. See id. The United States led the world in central government expenditures in 1995 with $ 1.5 trillion. See id. at 38.

### AT PPPs

#### P3s lessen government expenditure on transportation

Erhardt 8(Spring 2008, Ellen M. Erhardt, J.D. Valparaiso School of Law, 2008., B.S. Geography, African Studies Specialization, Michigan State University, 1993., Valparaiso University Law Review, “CAUTION AHEAD: CHANGING LAWS TO ACCOMMODATE PUBLIC-PRIVATE PARTNERSHIPS IN TRANSPORTATION,” 42 Val. U.L. Rev. 905, lexis, ngoetz)

While PPPs reduce congestion and lessen government expenditure on transportation, at the same time, they may compromise traditional labor policies. n228 Significantly, PPPs provide funding for projects, which allow more projects to be built. n229 As a result, the increased number of construction projects fuels the amount of jobs available in a state. n230 However, the trend in the construction industry is to have a mega-contractor bring workers from out-of-state to build projects. n231 Thus, the workers benefiting from the new projects are not always local, but the prospect of more local construction jobs is often a reason for public support of the project in the first place. n232 Also, if a project receives sufficient private funds along with state funds, no federal funds may be needed; hence, federal labor policies do not need to be followed. n233 Still, most states have their own labor policies which would require compliance by the contractor. n234 However, because states are competing for private funds, laws to minimize the obligations of the contractor may be implemented. n235 As a result, jobs may have lower wage scales, and public policy programs may disappear. n236 The overall increase in jobs may both help and hinder the labor movement in most states. n237 Whether it is beneficial for a state to encourage PPPs relates directly to the labor policies protected by the project. n238

## \*\*\* Tax Expenditures

### Tax Exemptions

#### Tax expenditures are directed tax exemptions

Delacenserie 82(January/February 1982, NANCY J. DELACENSERIE, Attorney at Law, Juris Doctorate, University of Wisconsin Law School, 1983, Master of Science, Accounting, University of Wisconsin School of Business, 1979, Wisconsin Law Review, “THE LEASING SAFE-HAVEN OF THE ECONOMIC RECOVERY TAX ACT OF 1981: ANOTHER TAX EXPENDITURE,” 1982 Wis. L. Rev. 117, lexis, ngoetz)

A tax expenditure is a special provision of the federal income tax law which represents a government expenditure designed to achieve a specific non-tax objective. n84 More specifically, the federal government defines tax expenditures as "revenue losses attributable to . . . a special exclusion, exemption, or deduction from gross income or . . . a special credit, a preferential rate of tax or a deferral of tax liability." n85 Examples of tax expenditures and their corresponding non-tax objectives include the ITC, n86 which was intended to encourage the acquisition of machinery and equipment, the charitable contribution deduction, n87 [\*132] which was intended to promote philanthropy, and the preferential tax treatment of qualified pension plans, n88 which was intended to foster broad pension plan coverage. n89 While many of today's tax expenditures were adopted to induce action which Congress considered to be in the national interest, n90 others were enacted to provide hardship relief, n91 or to simplify tax computations. n92

The tax expenditure concept consists of two distinct elements. n93 The first element includes all the structural provisions necessary to effectuate a normal income tax. n94 Since the purpose of an income tax is to raise revenue, the requisite structural provisions include a definition of taxable income, specification of accounting periods, determination of entities which will be subject to taxation, and specification of the applicable tax rates. n95 The second element of the tax expenditure concept consists of departures from the "normative" income tax structure which represent special preferences for favored activities or groups. n96 Since these special preferences in the tax law effectively reduce government revenues, they are equivalent to government subsidies.

## \*\*\* Capital Expenditure

### Increase Tangible Value

#### Capital expenditure is the acquisition or enhancement of tangible assets

Roberts 93(April 1993, Wyn Roberts, former Minister of State at the Welsh Office, opposition spokesman on Wales in the House of Lords until 2007, vol 223 cc251-3W, “Special Educational Needs,” <http://hansard.millbanksystems.com/written_answers/1993/apr/23/special-educational-needs>, ngoetz)

3 Gross capital expenditure is defined as the provision, acquisition 253W and enhancement of tangible fixed assets which continue to be of value long after their acquisition.

### New (not Maintenance)

#### Only capital expenditure is “investment”. Spending on current capabilities is maintenance revenue expenditure. Distinguishing clearly between the two is critical to precision and topic education.

Mtetwa 10 (Munya, ACCA and IFA Qualified Accountant with Over Ten Years Financial Management and Accounting Experience, “Revenue and Capital Expenditure”, Accounting – Suite 101, 3-21, http://munya-mtetwa.suite101.com/revenue-and-capital-expenditure-a212507)

In accounting there are two main mandatory financial statements and these report the financial position and the financial performance of a company. These two financial statements are known as the balance sheet and the profit and loss account. The balance sheet is the home to all capital expenditures and all revenue expenses are recorded in the profit and loss account.

Failure to distinguish the difference between revenue expenses and capital expenses can lead to a misleading picture of both the financial performance and financial position being reported or presented to the users of accounting information.

In book-keeping and accounting there is a type of error known as the error of principle. This error occurs when capital expenditure is treated as revenue expenditure in the books of accounts and vice versa. When a firm deliberately misclassifies revenue expenditure as capital expenditure this may be viewed as creative accounting, which is morally and ethically wrong. Below these two concepts are explored further.

Revenue Expenses

Revenue expenditure is outlay or expenses incurred in the day to day running of a company. In most cases revenue expenditure involves the procurement of services and goods that will be used within a financial year. Revenue expenditure does not improve or increase the income generating abilities of a company; at best it leads to the maintenance of the current organisational revenue generating capacity.

All expenses of a revenue nature are recorded in the profit and loss account as either operating expenses, marketing and selling expenses and administrative expenses. Revenue expenses play a role in determining the profit earned or a loss by a company.

Revenue expenses are routine and recurring in nature and some examples of revenue expenditure include payments in staff wages and salaries, heating and lighting, depreciation, legal and professional fees, travel and subsistence, insurance, administrative expenses, most of marketing and public relations expenses, audit fees, office supplies, staff training costs, staff recruitment costs and minor or immaterial items of equipment.

Capital Expenses

Capital expenditure represents outlay on fixed assets. Capital expenditure can be outlay of resources on the investment of long-term income generating capability of the company. Investment in fixed assets will lead to an increase or improvement in the investing company’s revenue generating capacity. Capital expenditure can also be in the form of significant acquisitions or purchases of more expensive items of equipment that will last longer than a financial year.

#### Plan is revenue, not capital expenditure

Transpower 10 (Transpower New Zealand Limited Business Guidance, “Accounting Guidance Notes for Revenue and Capital Expenditure”, Issue 2, November, http://ebookbrowse.com/transpower-accounting-guidance-notes-for-revenue-and-capital-expenditure-issue2-pdf-d284331433)

7.3 Maintenance Expenditure (Revenue Expenditure)

Maintenance expenditure is expenditure that satisfies one or more of the these criteria:

(i) It restores an asset to its original expected operating capability or condition;

(ii) It provides only minor or incidental improvement(s) to the features, functionality or EOL of the asset;

(iii) It maintains an asset in good working condition.

In other words, Maintenance Expenditure enables the asset to achieve its original expected operational life (EOL) through regular and/or preventive maintenance.

7.4 Capital Expenditure

Capital expenditure is expenditure that satisfies one or more of these criteria:

(i) It results in the creation of a new asset or assets2;

(ii) It provides a to significant improvement an existing asset with respect to capability or EOL.

Capital expenditure **must add new infrastructure**

Law Depot 8 (“Capital Expenditure”, 2-6, http://wiki.lawdepot.com/wiki/Capital\_Expenditure)

Definition of "Capital Expenditure"

Capital expenditure is money spent to acquire or upgrade (improve) long term assets such as property, buildings and machinery. Capital expenditure does not include the cost to merely repair such assets.

#### Not all spending is investment. Only capital expenditure is topical and requires new projects, not maintaining current capabilities.

Becker 8 (Werner, Deutsche Bank Research, et al., “Improving the Quality of Public Finances – The Road Ahead”, 2-5, http://www.dbresearch.com/PROD/DBR\_INTERNET\_EN-PROD/PROD0000000000220498.PDF)

With regard to the effects of public spending on growth, a distinction is traditionally made between current government consumption expenditure (on, say, the compensation of government employees) and capital expenditure geared to the future (on infrastructural projects such as transport, utility supply and communications systems). Government consumption spending is frequently generalised as unproductive, whereas public capital expenditure is regularly labelled as growth-enhancing investment in the future. When assessing the growth effects of public spending, however, this simplistic approach needs reexamining. There are some kinds of public spending that, while reported as capital expenditure, do not count as productive investment in the economic sense. Empirical surveys show that substantial growth effects can normally be expected only from infrastructure investment. But over the past 25 years this has accounted for a mere quarter to a third of total government investment.13 Ultimately, the simple equation “more public investment equals more growth” has been undermined in Germany by the very broad interpretation of the debt rule in Article 115 of the Basic Law.14 Although the rule stipulates that net new borrowing by the Federal government must not exceed public investment expenditure, in many years the government has departed from this principle – most recently in each of the years from 2002 to 2006 –, taking as its justification the disturbance in macroeconomic equilibrium. Public spending and public debt rose, but in most cases growth remained anaemic. A problem here is the relatively broad definition of public investment.

#### Capital expenditure is creation of new assets not maintenance

Pointer 6(9th February 2006, Maureen Pointer, Report of Borough Treasurer to Cabinet, “Southend-on-Sea Borough Council,” <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&sqi=2&ved=0CDQQFjAA&url=http%3A%2F%2Fminutes.southend.gov.uk%2Fakssouthend%2Fimages%2Fatt8619.doc&ei=Ge8TUMTzHYeWqQHT-4G4BA&usg=AFQjCNGVe3VJgPpD2nQ4GPacXuGW3fgZdA&sig2=SrqIey9lY8mMljcTPAx9Kg>, ngoetz)

Capital expenditure is defined as expenditure incurred on the acquisition or creation of assets needed to provide services, such as houses, schools, vehicles etc. This is opposed to revenue expenditure which is what is spent on the day to day operation of services such as employee costs and supplies and services. The Government grant for capital schemes and borrowing approvals, together with capital receipts, can only be spent on capital items, not revenue costs such as salaries.

## \*\*\* Outlays

### Spending

#### Outlays are spending

The Free Dictionary No Date (The Free Dictionary, “Outlays,” <http://financial-dictionary.thefreedictionary.com/outlay>, ngoetz)

Outlays

Payments made in cash or cash equivalents. Common examples of outlays include employee salaries and coupon payments on bonds. Revenue outlays are those made currently or those that will be made within a year, while capital outlays are those made for periods longer than one year. Outlays are recorded as liabilities on a balance sheet and are also called expenditures.

### Laundry List

#### Outlays are grants and tax credits

Marlin et al 80 (June 80, Joseph M. Marlin, Project Director, Roy Cunniff, Paul McDevitt, Kenneth Nowotny, Patrick O'Dea, New Mexico State University Las Cruces, New Mexico “Regional Operations Research Program For Commercialization Of Geothermal Energy In The Rocky Mountain Basin And Range,” <http://www.osti.gov/bridge/servlets/purl/6944317-etWgaq/6944317.pdf>, ngoetz)

Present herein are three policy cases for review. The High Case depicts 0.55 Quads per year on line by 1990. A Mid Case depicts 0.27 Quads per year. The Low Case is 0.05 Quads per year. Following is a table which summarizes the key factors by 1990. Net Federal Outlays are defined as the summation of reservoir confirmation, direct construction grants and investment tax credits, with federal income tax and royalty payments serving as offsets. Also shown is a Low-low Case, which contains no federal stimulus.

## \*\*\* Miscellaneous

### State Grants are DOT

#### The plan is through the DOT – congress doesn’t have authority

Puentes et al 9 (December 2009, Robert Puentes, Affiliated Professor, Georgetown University Public Policy Institute, M.P., University of Virginia, 1998 B.S., Old Dominion University, 1990, Emilia Istrate, PhD in Public Policy from George Mason University, with specialization in regional economic development, graduate degrees in international studies from the Diplomatic Academy of Vienna, Austria and the Johns Hopkins University School of Advanced International Studies (SAIS), senior research associate and associate fellow with the Metropolitan Policy Program at Brookings, METROPOLITAN INFRASTRUCTURE INITIATIVE SERIES, METROPOLITAN policy Program at Brookings, “Investing for Success Examining a Federal Capital Budget and a National Infrastructure Bank,” <http://www.brookings.edu/~/media/research/files/reports/2009/12/10%20infrastructure%20puentes/1210_infrastructure_puentes.pdf>, ngoetz)

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