## Economy

**Contention 1 is the economy:**

**We control uniqueness – economic collapse is coming now, but the plan solves and is self sufficient**

**Riley 9/6—Staff writer for CNN** (Charles, Obama's stimulus gambit, 2012, http://money.cnn.com/2011/09/06/news/economy/obama\_stimulus\_options/?cnn=yes, chm)

NEW YORK (CNNMoney) -- Now is the time for action.

That's the message the White House is bringing to Congress as lawmakers return to work this week.

In a major speech Thursday night, President Obama is expected to argue that the government must do more to spur job growth, investment and economic expansion.

"I'm going to propose ways to put America back to work that both parties can agree to, because I still believe both parties can work together to solve our problems," President Obama said in a speech on Labor Day.

Why now? After years of modest growth, the economy is hovering just above stall speed, and the risk of the country falling into recession is on the rise. Hiring has ground to a halt, the unemployment rate remains sky-high and systemic problems continue to hamstring the housing market.

But even with the economy slowing, lawmakers may not be able to coalesce around any of the proposals Obama may spell out. After all, compromise and bipartisanship are in desperately short supply in Washington.

"I don't think economy-boosting measures are going to be in the cards if they require new spending," said Craig Jennings, the director of federal fiscal policy at OMB Watch, a group that monitors federal spending.

Still, the White House is hoping for action. The details of the plan are being kept under lock-and-key, but here are some ideas Obama is likely to be considering.

Infrastructure bank: Democrats, and Obama in particular, love talking about investments in infrastructure. One top priority: a national "infrastructure bank."

Here's how it would work: After an initial round of funding -- maybe as little as $10 billion -- the bank would offer loans to give private-sector projects a jolt of money. Eventually, interest paid on the loans would make the bank self sufficient.

**The US economy is key to the world economy**

**Caploe 9—Ph.D., International Political Economy, Princeton University, M.A., Politics, Princeton University, Honors A.B., Social Theory, Harvard University** (David, Focus still on America to lead global recovery, 7 April 2009, http://www.straitstimes.com/vgn-ext-templating/v/index.jsp?vgnextoid=908c318314c70210VgnVCM100000430a0a0aRCRD&vgnextchannel=0162758920e39010VgnVCM1000000a35010aRCRD, RBatra)

IN THE aftermath of the G-20 summit, most observers seem to have missed perhaps the most crucial statement of the entire event, made by United States President Barack Obama at his pre-conference meeting with British Prime Minister Gordon Brown: 'The world has become accustomed to the US being a voracious consumer market, the engine that drives a lot of economic growth worldwide,' he said. 'If there is going to be renewed growth, it just can't be the US as the engine.' While superficially sensible, this view is deeply problematic. To begin with, it ignores the fact that the global economy has in fact been 'America-centred' for more than 60 years. Countries - China, Japan, Canada, Brazil, Korea, Mexico and so on - either sell to the US or they sell to countries that sell to the US. This system has generally been advantageous for all concerned. America gained certain historically unprecedented benefits, but the system also enabled participating countries - first in Western Europe and Japan, and later, many in the Third World - to achieve undreamt-of prosperity. At the same time, this deep inter-connection between the US and the rest of the world also explains how the collapse of a relatively small sector of the US economy - 'sub-prime' housing, logarithmically exponentialised by Wall Street's ingenious chicanery - has cascaded into the worst global economic crisis since the Great Depression. To put it simply, Mr Obama doesn't seem to understand that there is no other engine for the world economy - and hasn't been for the last six decades. If the US does not drive global economic growth, growth is not going to happen. Thus, US policies to deal with the current crisis are critical not just domestically, but also to the entire world. Consequently, it is a matter of global concern that the Obama administration seems to be following Japan's 'model' from the 1990s: allowing major banks to avoid declaring massive losses openly and transparently, and so perpetuating 'zombie' banks - technically alive but in reality dead. As analysts like Nobel laureates Joseph Stiglitz and Paul Krugman have pointed out, the administration's unwillingness to confront US banks is the main reason why they are continuing their increasingly inexplicable credit freeze, thus ravaging the American and global economies. Team Obama seems reluctant to acknowledge the extent to which its policies at home are failing not just there but around the world as well. Which raises the question: If the US can't or won't or doesn't want to be the global economic engine, which country will? The obvious answer is China. But that is unrealistic for three reasons. # First, China's economic health is more tied to America's than practically any other country in the world. Indeed, the reason China has so many dollars to invest everywhere - whether in US Treasury bonds or in Africa - is precisely that it has structured its own economy to complement America's. The only way China can serve as the engine of the global economy is if the US starts pulling it first. # Second, the US-centred system began at a time when its domestic demand far outstripped that of the rest of the world. The fundamental source of its economic power is its ability to act as the global consumer of last resort. China, however, is a poor country, with low per capita income, even though it will soon pass Japan as the world's second largest economy. There are real possibilities for growth in China's domestic demand. But given its structure as an export-oriented economy, it is doubtful if even a successful Chinese stimulus plan can pull the rest of the world along unless and until China can start selling again to the US on a massive scale. # Finally, the key 'system' issue for China - or for the European Union - in thinking about becoming the engine of the world economy - is monetary: What are the implications of having your domestic currency become the global reserve currency? This is an extremely complex issue that the US has struggled with, not always successfully, from 1959 to the present. Without going into detail, it can safely be said that though having the US dollar as the world's medium of exchange has given the US some tremendous advantages, it has also created huge problems, both for America and the global economic system. The Chinese leadership is certainly familiar with this history. It will try to avoid the yuan becoming an international medium of exchange until it feels much more confident in its ability to handle the manifold currency problems that the US has grappled with for decades. Given all this, the US will remain the engine of global economic recovery for the foreseeable future, even though other countries must certainly help. This crisis began in the US - and it is going to have to be solved there too.

**Global economic crisis causes war – statistics and diversionary theory prove**

**Royal 10** [Jedediah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, 2010, Economic Integration, Economic Signaling and the Problem of Economic Crises,? in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215]

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent stales. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level. Pollins (20081 advances Modclski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 19SJ) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fcaron. 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately. Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level. Copeland's (1996. 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states arc likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 Third, others have considered the link between economic decline and external armed conflict at a national level. Mom berg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write. The linkage, between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict lends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other (Hlomhen? & Hess. 2(102. p. X9> Economic decline has also been linked with an increase in the likelihood of terrorism (Blombcrg. Hess. & Wee ra pan a, 2004). which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. "Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DcRoucn (1995), and Blombcrg. Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force arc at least indirecti) correlated. Gelpi (1997). Miller (1999). and Kisangani and Pickering (2009) suggest that Ihe tendency towards diversionary tactics arc greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force. In summary, rcccni economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict al systemic, dyadic and national levels.' This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

**Economic collapse turns every impact**

**Harris & Burrows 9** [Mathew, PhD European History @ Cambridge, counselor of the U.S. National Intelligence Council (NIC) and Jennifer, member of the NIC’s Long Range Analysis Unit “Revisiting the Future: Geopolitical Effects of the Financial Crisis” http://www.ciaonet.org/journals/twq/v32i2/f\_0016178\_13952.pdf]

Of course, the report encompasses more than economics and indeed believes the future is likely to be the result of a number of intersecting and interlocking forces. With so many possible permutations of outcomes, each with ample opportunity for unintended consequences, there is a growing sense of insecurity. Even so, history may be more instructive than ever. While we continue to believe that the Great Depression is not likely to be repeated, the lessons to be drawn from that period include the harmful effects on fledgling democracies and multiethnic societies (think Central Europe in 1920s and 1930s) and on the sustainability of multilateral institutions (think League of Nations in the same period). There is no reason to think that this would not be true in the twenty-first as much as in the twentieth century. For that reason, the ways in which the potential for greater conflict could grow would seem to be even more apt in a constantly volatile economic environment as they would be if change would be steadier. In surveying those risks, the report stressed the likelihood that terrorism and nonproliferation will remain priorities even as resource issues move up on the international agenda. Terrorism’s appeal will decline if economic growth continues in the Middle East and youth unemployment is reduced. For those terrorist groups that remain active in 2025, however, the diffusion of technologies and scientific knowledge will place some of the world’s most dangerous capabilities within their reach. Terrorist groups in 2025 will likely be a combination of descendants of long established groups inheriting organizational structures, command and control processes, and training procedures necessary to conduct sophisticated attacks and newly emergent collections of the angry and disenfranchised that become self-radicalized, particularly in the absence of economic outlets that would become narrower in an economic downturn. The most dangerous casualty of any economically-induced drawdown of U.S. military presence would almost certainly be the Middle East. Although Iran’s acquisition of nuclear weapons is not inevitable, worries about a nuclear-armed Iran could lead states in the region to develop new security arrangements with external powers, acquire additional weapons, and consider pursuing their own nuclear ambitions. It is not clear that the type of stable deterrent relationship that existed between the great powers for most of the Cold War would emerge naturally in the Middle East with a nuclear Iran. Episodes of low intensity conflict and terrorism taking place under a nuclear umbrella could lead to an unintended escalation and broader conflict if clear red lines between those states involved are not well established. The close proximity of potential nuclear rivals combined with underdeveloped surveillance capabilities and mobile dual-capable Iranian missile systems also will produce inherent difficulties in achieving reliable indications and warning of an impending nuclear attack. The lack of strategic depth in neighboring states like Israel, short warning and missile flight times, and uncertainty of Iranian intentions may place more focus on preemption rather than defense, potentially leading to escalating crises. Types of conflict that the world continues to experience, such as over resources, could reemerge, particularly if protectionism grows and there is a resort to neo-mercantilist practices. Perceptions of renewed energy scarcity will drive countries to take actions to assure their future access to energy supplies. In the worst case, this could result in interstate conflicts if government leaders deem assured access to energy resources, for example, to be essential for maintaining domestic stability and the survival of their regime. Even actions short of war, however, will have important geopolitical implications. Maritime security concerns are providing a rationale for naval buildups and modernization efforts, such as China’s and India’s development of blue water naval capabilities. If the fiscal stimulus focus for these countries indeed turns inward, one of the most obvious funding targets may be military. Buildup of regional naval capabilities could lead to increased tensions, rivalries, and counterbalancing moves, but it also will create opportunities for multinational cooperation in protecting critical sea lanes. With water also becoming scarcer in Asia and the Middle East, cooperation to manage changing water resources is likely to be increasingly difficult both within and between states in a more dog-eat-dog world.

**Reduced economic competitiveness collapses hegemony, causes transition wars, and international lashout**

**Khalilzad, 11 — former United States ambassador to Afghanistan, Iraq, and the United Nations, former director of policy planning at the Defense Department** (Zalmay, “The Economy and National Security”, The National Review, 2/8/2011, <http://www.nationalreview.com/articles/print/259024>)

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

**Heg solves extinction – empirics and statistics**

**Barnett, 11** (Thomas, P.M. Former Senior Strategic Researcher and Professor in the Warfare Analysis & Research Department, Center for Naval Warfare Studies, U.S. Naval War College, American military geostrategist, Chief Analyst at Wikistrat, worked as the Assistant for Strategic Futures in the Office of Force Transformation in the Department of Defense, “The New Rules: Leadership Fatigue Puts U.S., and Globalization, at Crossroads”, 3/7/2011, <http://www.worldpoliticsreview.com/articles/8099/the-new-rules-leadership-fatigue-puts-u-s-and-globalization-at-crossroads>)

Events in Libya are a further reminder for Americans that we stand at a crossroads in our continuing evolution as the world's sole full-service superpower. Unfortunately, we are increasingly seeking change without cost, and shirking from risk because we are tired of the responsibility. We don't know who we are anymore, and our president is a big part of that problem. Instead of leading us, he explains to us. Barack Obama would have us believe that he is practicing strategic patience. But many experts and ordinary citizens alike have concluded that he is actually beset by strategic incoherence -- in effect, a man overmatched by the job. It is worth first examining the larger picture: We live in a time of arguably the greatest structural change in the global order yet endured, with this historical moment's most amazing feature being its relative and absolute lack of mass violence. That is something to consider when Americans contemplate military intervention in Libya, because if we do take the step to prevent larger-scale killing by engaging in some killing of our own, we will not be adding to some fantastically imagined global death count stemming from the ongoing "megalomania" and "evil" of American "empire." We'll be engaging in the same sort of system-administering activity that has marked our stunningly successful stewardship of global order since World War II. Let me be more blunt: As the guardian of globalization, the U.S. military has been the greatest force for peace the world has ever known. Had America been removed from the global dynamics that governed the 20th century, the mass murder never would have ended. Indeed, it's entirely conceivable there would now be no identifiable human civilization left, once nuclear weapons entered the killing equation. But the world did not keep sliding down that path of perpetual war. Instead, America stepped up and changed everything by ushering in our now-perpetual great-power peace. We introduced the international liberal trade order known as globalization and played loyal Leviathan over its spread. What resulted was the collapse of empires, an explosion of democracy, the persistent spread of human rights, the liberation of women, the doubling of life expectancy, a roughly 10-fold increase in adjusted global GDP and a profound and persistent reduction in battle deaths from state-based conflicts. That is what American "hubris" actually delivered. Please remember that the next time some TV pundit sells you the image of "unbridled" American military power as the cause of global disorder instead of its cure. With self-deprecation bordering on self-loathing, we now imagine a post-American world that is anything but. Just watch who scatters and who steps up as the Facebook revolutions erupt across the Arab world. While we might imagine ourselves the status quo power, we remain the world's most vigorously revisionist force. As for the sheer "evil" that is our military-industrial complex, again, let's examine what the world looked like before that establishment reared its ugly head. The last great period of global structural change was the first half of the 20th century, a period that saw a death toll of about 100 million across two world wars. That comes to an average of 2 million deaths a year in a world of approximately 2 billion souls. Today, with far more comprehensive worldwide reporting, researchers report an average of less than 100,000 battle deaths annually in a world fast approaching 7 billion people. Though admittedly crude, these calculations suggest a 90 percent absolute drop and a 99 percent relative drop in deaths due to war. We are clearly headed for a world order characterized by multipolarity, something the American-birthed system was designed to both encourage and accommodate. But given how things turned out the last time we collectively faced such a fluid structure, we would do well to keep U.S. power, in all of its forms, deeply embedded in the geometry to come

**And independent of collapse, the coming double dip recession causes global instability**

**Fordham, 10** (Tina Fordham, “Investors can’t ignore the rise of geopolitical risk”, Financial Times, 7-17-2010, <http://www.ft.com/cms/s/0/dc71f272-7a14-11df-9871-00144feabdc0.html>)

Geopolitical risk is on the rise after years of relative quiet – potentially creating further headwinds to the global recovery just as fears of a double-dip recession are growing, says Tina Fordham, senior political analyst at Citi Private Bank. “Recently, markets have been focused on problems within the eurozone and not much moved by developments in North Korea, new Iran sanctions, tensions between Turkey and Israel or the unrest in strategically significant Kyrgyzstan,” she says. “But taken together, we don’t think investors can afford to ignore the return of geopolitical concerns to the fragile post-financial crisis environment.” Ms Fordham argues the end of post-Cold War US pre-eminence is one of the most important by-products of the financial crisis. “The post-crisis world order is shifting. More players than ever are at the table, and their interests often diverge. Emerging market countries have greater weight in the system, yet many lack experience on the global stage. Addressing the world’s challenges in this more crowded environment will be slower and more complex. This increases the potential for proliferating risks: most notably the prospect of politically and/or economically weakened regimes obtaining nuclear weapons; and military action to keep them from doing so. “Left unresolved, these challenges could disrupt global stability and trade. This would be a very unwelcome time to see the return of geopolitical risk.”

**The plan solves:**

**A. TRANSPORTATION INFRASTRUCTURE – modernization is key to growth**

**Donohue, 11 – president and chief executive officer of the US Chamber of Commerce** (9/8/2011, Thomas J., Christian Science Monitor, “The highway to jobs - via better infrastructure,” Factiva, JMP)

As Obama and Congress talk jobs, here's an appeal from the US Chamber of Commerce: Invest heavily in roads, air transport, and other infrastructure. The economy and jobs depend on it. Adopt innovative financing, including an infrastructure bank to leverage private investment. Throughout America's history, feats in infrastructure, like the Interstate Highway System, have not only been symbols of national achievement but also conduits for commerce and keys to prosperity. Today, however, much of this foundation of the US economy is costly, cracked, and crumbling. Roads, rail, airports, and harbors need continual investment to keep pace with demand. Recent research by the US Chamber of Commerce discovered that underperforming transport infrastructure cost the US economy nearly $2 trillion in lost gross domestic product in 2008 and 2009. The chamber's Transportation Performance Index showed that America's transit system is not keeping up with growing demands and is failing to meet the needs of the business community and consumers. Most important, the research proved for the first time that there is a direct relationship between transportation infrastructure performance and GDP. The index findings also showed that if America invests wisely in infrastructure, it can become more reliable, predictable, and safe. By improving underperforming transport infrastructure, the United States could unlock nearly $1 trillion in economic potential. Making investments that tackle immediate challenges, like congestion, and that account for growing demand into the future, America would boost productivity and economic growth in the long run and support millions of jobs in the near term. Investment in infrastructure would also improve quality of life by reducing highway fatalities and accidents and easing traffic congestion that costs the public $115 billion a year in lost time and wasted fuel - $808 out of the pocket of every motorist. Such an investment would also allow the country to better protect the environment while increasing mobility. If America fails to adequately invest in transportation infrastructure, by 2020 it will lose $897 billion in economic growth. Businesses will see their transportation costs rise by $430 billion, and the average American household income will drop by more than $7,000. US exports will decline by $28 billion. Meanwhile, global competitors will surge past us with superior infrastructure that will attract jobs, businesses, and capital. So how can the US get its infrastructure to go from insufficient and declining to safe, competitive, and productive? An obvious place to start is for Congress to pass core bills for surface transportation, aviation, and water programs - at current funding levels. Congress must move forward with multiyear reauthorizations to restore the nation's highways; modernize air traffic control and improve airports; and maintain American ports, harbors, dams, and levees.Doing so would enable communities to plan projects, hire employees, and prevent devastating layoffs of existing workers. Reauthorizing the Federal Aviation Administration alone would help keep 70,000 workers on the job. Next, America should expand energy infrastructure to support growing needs. A great example is the Keystone XL pipeline to connect Canadian oil sands with Texas refineries. The sooner the project is approved and construction begins, the sooner the US can rake in the benefits of added investment and government revenues, job creation, and more resources to fuel energy needs and keep costs down for businesses and consumers. Likewise, the US can't let a needlessly cumbersome permitting process stand in the way of infrastructure development. The administration should limit environmental reviews to six months and forgo reviews when no significant environmental impact is expected. Duplicative reviews by state and federal governments should be prevented and, when multiple agencies are involved, a lead agency should be appointed to coordinate actions and move things along. Accelerating the permitting process would quickly mobilize construction and hiring from one end of the country to the other. In this era of tight government budgets, America must adopt innovative financing approaches and spur on public-private partnerships. A national infrastructure bank must be a part of a long-term investment strategy. An initial government investment of $10 billion could leverage up to $600 billion in private funds. But regulatory impediments must also be removed. They take an estimated $250 billion in global capital out of play. If that private capital were invested in infrastructure projects, it could create 1.9 million jobs over 10 years and spur untold economic growth. As for public investments, sooner or later we'll have to face the fact that the federal fuel tax has not been raised 1 cent in 17 years. The country needs modest, phased-in increase. Comprehensively restoring America's infrastructure and revitalizing the economy are monumental tasks. Fortunately, we are the same nation that built our world-class system in the first place. If anyone is up to the challenge, we are.

**Transportation is the bottleneck of the economy**

**Little, 11 – Director, Keston Institute for Public Finance and Infrastructure Policy** (4/5/2011, Richard, “Infrastructure Investment and U.S. Competitiveness,” http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585, JMP)

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

**An accountable NIB will revitalize transportation – it’s low cost, self-sustaining, and politically acceptable. This evidence is comparative to status quo NIB proposals which are different than what we defend**

**Lovaa 11** **– Federal Transportation Policy Director for NRDC** (6/28/2011, Deron, “An Infrastructure Bank for Transportation,” http://switchboard.nrdc.org/blogs/dlovaas/an\_infrastructure\_bank\_for\_tra.html, JMP)

Another creative funding idea that’s getting some attention lately is a national infrastructure bank, an independent entity that would use government funding to attract major private investment in public infrastructure projects. NYU professor Michael Likosky recently convened a meeting between Treasury officials, bankers, pension funds and hedge fund managers to discuss how such a bank might work. It’s the first time this diverse group has ever shared their opinions with the government on this idea – and apparently some of them are bullish on it. Infrastructure banks in other parts of the world have proven to be largely successful in leveraging public money. The European Investment Bank (EIB), owned and funded by the European Union, finances investments worth $470 billion using only about $50 billion in government funds. That’s a ratio of more than 9:1 in private versus public funding. The bank, which has funded huge projects like the Port of Barcelona and the TGV rail system that connects France and Spain, consistently turns a profit and has had only negligible delinquencies over the past five decades, according to economists Robert Skidelsky and Felix Martin, writing in the New York Review of Books. Likosky, an expert on public-private partnerships and author of Obama’s Bank: Financing a Durable New Deal, has a fairly expansive vision of how a national infrastructure bank would operate – he’s talking about something on the level of the EIB that could finance investments on the order of $500 billion. Even Fareed Zakaria recently wrote about the need for a national infrastructure bank. The problem is that in our current political climate, talk of using public funds to create a government bank is a total turn-off to many Republicans. No matter how great its potential benefits, a large, national infrastructure bank is exceedingly unlikely to pass muster with this Congress. However, the concept of an infrastructure bank in and of itself shouldn’t scare anyone off, since the size of the bank can be scaled down and still have tremendous benefits. A scaled-down infrastructure bank, devoted solely to transportation, could be more palatable to the reduced fiscal appetites of today’s Congress. President Obama recently proposed exactly this in his new 2011 budget. His National Infrastructure Innovation and Finance Fund (notice the absence of the word “bank”) would be housed under the Department of Transportation, and oversee $4 billion in funds over the next two years. This is significantly smaller than the infrastructure bank he proposed last year, which was intended to be funded at $5 billion per year for five years. Yet even at this smaller scale, the bank can still be effective at leveraging public money to attract private investors for critical infrastructure projects. An infrastructure bank for transportation would make merit-based loans for infrastructure improvements, using public funds to attract investment from the private sector. A merit-based system would make more efficient use of funds than the current, earmark-heavy funding that dominates the federal transportation program. Through the bank, federal, state and local governments could work together with the private sector to fix crumbling roads and bridges, and create a 21st century transportation system. Likosky envisions the role of the government in public-private partnerships as that of a “player-coach,” not dictating the rules from the sidelines (and thus being a thorn in the side of potential private investors) but being involved in the game itself. The biggest challenges, which they’ve seemed to manage pretty well over in Europe, are ensuring that the public gets a reasonable return for their investment in the end, and that non-monetary objectives rooted in the public good, such as increased accessibility and employment, or greenhouse gas reductions, are specified and required. America’s infrastructure ranking has dropped from 6th to 23rd in the past decade, and continues to drop, according to the World Economic Forum. We need to invest in our roads, rails and bridges if we want to remain economically competitive. And with the federal budget under such pressure, it’s becoming increasingly apparent that we need a lot of private capital to do it. A scaled-down infrastructure bank might not be able to generate the trillions of dollars we need to upgrade our entire transportation network, but it will make good use of our limited public funds to vastly improve the status quo.

**A federal NIB encourages government accountability and leverages funds more efficiently**

**McConaghy & Kessler, 11** – \* Director of the Third Way Economic Program, AND \*\*Vice President for Policy at Third Way (January 2011, Ryan McConaghy and Jim Kessler, “A National Infrastructure Bank,” http://www.bernardlschwartz.com/political-initiatives/Third\_Way\_Idea\_Brief\_-\_A\_National\_Infrastructure\_Bank-1.pdf, JMP)

America’s economic future will hinge on how fast and well we move people, goods, power, and ideas. Today, our infrastructure is far from meeting the challenge. Upgrading our existing infrastructure and building new conduits to generate commerce will put people to work quickly in long-term jobs and will create robust growth. Funding for new infrastructure will be a crucial investment with substantial future benefits, but the current way that Congress doles out infrastructure financing is too political and wasteful. A National Infrastructure Bank will provide a new way to harness public and private capital to bridge the infrastructure gap, create jobs, and ensure a successful and secure future. THE PROBLEM America’s investment in infrastructure is not sufficient to spur robust growth. In October, Governor Chris Christie announced his intention to terminate New Jersey’s participation in the Access to the Region’s Core (ARC) Tunnel project, citing cost overruns that threatened to add anywhere from $2-$5 billion to the tunnel’s almost $9 billion price tag. At the time, Christie stated, “Considering the unprecedented fiscal and economic climate our State is facing, it is completely unthinkable to borrow more money and leave taxpayers responsible for billions in cost overruns. The ARC project costs far more than New Jersey taxpayers can afford and the only prudent move is to end this project.”1 Despite the fact that the project is absolutely necessary for future economic growth in the New Jersey-New York region and would have created thousands of jobs, it was held captive to significant cost escalation, barriers to cooperation between local, state, and federal actors, and just plain politics. Sadly, these factors are increasingly endemic in the execution of major infrastructure projects. America’s infrastructure has fallen into a state of disrepair, and will be insufficient to meet future demands and foster competitive growth without significant new investment. However, the public is fed up with massive deficits and cost overruns, and increasingly consider deficit reduction to be a bigger economic priority than infrastructure investment.2 They have lost confidence in government’s ability to choose infrastructure projects wisely, complete them, and bring them in on budget. At the same time, traditional sources of funding are strained to the breaking point and federal support is hindered by an inefficient process for selecting projects. Finding the resources necessary to construct new infrastructure will be also be a significant challenge. A new of way of choosing and funding infrastructure projects— from roads, bridges, airports, rail, and seaports to broadband and power transmission upgrades—is necessary to ensure growth and create jobs in America. America’s infrastructure isn’t ready to meet future growth needs. The safety risks and economic costs associated with the deterioration of America’s infrastructure are increasingly apparent across multiple sectors. The American Society of Civil Engineers has awarded the nation’s overall infrastructure a grade of D.3 Since 1990, demand for electricity has increased by about 25% but construction of new transmission has decreased by 30%.4 Over about the last 25 years, the number of miles traveled by cars and trucks approximately doubled but America’s highway lane miles increased by only 4.4%.5 Over 25% of America’s bridges are de!cient6 and about 25% of its bus and rail assets are in marginal or poor condition.7 America’s broadband penetration rate ranks only 14th among OECD countries.8 As America’s population and economic activity increases, the stress on its infrastructure will only grow. The number of trucks operating daily on each mile of the Interstate Highway system is expected to jump from 10,500 to 22,700 by 2035,9 while freight volumes will have increased by 70% over 1998 levels.10 It is also expected that transit ridership will double by 2030 and that the number of commercial air passengers will increase by 36% from 2006 to 2015.11 Total electricity use is projected to increase by 1148 billion kWh from 2008 to 2035.12 In order to cope, America’s infrastructure will need a significant upgrade. America’s infrastructure deficit hurts its competitiveness and is a drain on the economy. America’s infrastructure gap poses a serious threat to our prosperity. In 2009, the amount of waste due to congestion equaled 4.8 billion hours (equivalent to 10 weeks worth of relaxation time for the average American) and 3.9 billion gallons of gasoline, costing $115 billion in lost fuel and productivity.13 Highway bottlenecks are estimated to cost freight trucks about $8 billion in economic costs per year,14 and in 2006, total logistics costs for American businesses increased to 10% of GDP.15 Flight delays cost Americans $9 billion in lost productivity each year,16 and power disruptions caused by an overloaded electrical grid cost between $25 billion and $180 billion annually.17 These losses sap wealth from our economy and drain resources that could otherwise fuel recovery and growth. The infrastructure gap also hinders America’s global competitiveness. Logistics costs for American business are on the rise, but similar costs in countries like Germany, Spain, and France are set to decrease.18 And while America’s infrastructure spending struggles to keep pace,19 several main global competitors are poised to make significant infrastructure enhancements. China leads the world with a projected $9 trillion in infrastructure investments slated for the next ten years, followed by India, Russia, and Brazil.20 In a recent survey, 90% of business executives around the world indicated that the quality and availability of infrastructure plays a key role in determining where they do business.21 If America is going to remain on strong economic footing compared to its competitors, it must address its infrastructure challenges. There are too many cost overruns and unnecessary projects—but not enough funds. Cost overruns on infrastructure projects are increasingly prevalent and exact real costs. One survey of projects around the world found that costs were underestimated for almost 90% of projects, and that cost escalation on transportation projects in North America was almost 25%.22 Boston’s Central Artery/Tunnel Project (a.k.a. the “Big Dig”) came in 275% over budget, adding $11 billion to the cost of the project. The construction of the Denver International Airport cost 200% more than anticipated. The San Francisco-Oakland Bay Bridge retrofit project witnessed overruns of $2.5 billion—more than 100% of the original project cost— before construction even got underway.23 And of course, there are the “bridge to nowhere” earmarks that solve a political need, but not an economic one. The current system for funding projects is subject to inefficiency and bureaucratic complication. Funding for infrastructure improvements is divided unevenly among federal, state, local, and private actors based on sector.24 Even in instances where the federal government provides funding, it has often ceded or delegated project selection and oversight responsibilities to state, local, and other recipients, weakening linkages to federal program goals and efforts to ensure accountability.25 Federal efforts are also hampered by organization and funding allocations based strictly on specific types of transportation, as opposed to a system-wide approach, which create inefficiencies that hinder collaboration and effective investment.26 Complicating matters even further are the emergence of multi-state “megaregions,” which have common needs that require multijurisdictional planning and decision making ability.27 Infrastructure funding has also become significantly politicized. Congressional earmarking in multi-year transportation bills has skyrocketed from 10 projects in the STAA of 1982 to over 6,300 projects in the most recent bill (SAFETEA-LU).28 Even under a working system, the infrastructure improvements necessary to foster growth will require substantial investment. The American Society of Civil Engineers estimates that it would require $2.2 trillion over the next five years to bring our overall infrastructure up to par.29 However, sources of funding for infrastructure improvements are under significant strain and may not be sufficient.30 The Highway Trust Fund has already experienced serious solvency challenges, and inadequate revenues could lead to a $400 billion funding shortfall from 2010 to 2015.31 The finances of state and local governments, which are responsible for almost three-quarters of public infrastructure spending,32 have been severely impaired. At least 46 states have budget shortfalls in the current fiscal year, and it is likely that state financial woes will continue in the near future.33 In a recent survey by the National Association of Counties, 47% of respondents indicated more severe budget shortfalls than anticipated, 82% said that shortfalls will continue into the next year, and 54% reported delaying capital investments to cope.34 THE SOLUTION A National Infrastructure Bank In order to provide innovative, merit-based financing to meet America’s emerging infrastructure needs, Third Way supports the creation of a National Infrastructure Bank (NIB). The NIB would be a stand-alone entity capitalized with federal funds, and would be able to use those funds through loans, guarantees, and other financial tools to leverage private financing for projects. As such, the NIB would be poised to seize the opportunity presented by historically low borrowing costs in order to generate the greatest benefit for the lowest taxpayer cost. Projects would be selected by the bank’s independent, bipartisan leadership based on merit and demonstrated need. Evaluation criteria may include economic benefit, job creation, energy independence, congestion relief, regional benefit, and other public good considerations. Potential sectors for investment could include the full range or any combination of rail, road, transit, ports, dams, air travel, clean water, power grid, broadband, and others. The NIB will reform the system to cut waste, and emphasize merit and need. As a bank, the NIB would inject accountability into the infrastructure investment process. Since the bank would offer loans and loan guarantees using a combination of public and private capital, it would have the opportunity to move away from the traditional design-bid-build model and toward project delivery mechanisms that would deliver better value to taxpayers and investors.35 By operating on principles more closely tied to return on investment and financial discipline, the NIB would help to prevent the types cost escalation and project delays that have foiled the ARC Tunnel. America’s infrastructure policy has been significantly hampered by the lack of a national strategy rooted in clear, overarching objectives used to evaluate the merit of specific projects. The politicization and lack of coordination of the process has weakened public faith in the ability of government to effectively meet infrastructure challenges. In polling, 94% of respondents expressed concern about America’s infrastructure and over 80% supported increased federal and state investment. However, 61% indicated that improved accountability should be the top policy goal and only 22% felt that the federal government was effective in addressing infrastructure challenges.36 As a stand-alone entity, the NIB would address these concerns by selecting projects for funding across sectors based on broadly demonstrated need and ability to meet defined policy goals, such as economic benefit, energy independence, improved health and safety, efficiency, and return on investment. The NIB will create jobs and support competitiveness. By providing a new and innovative mechanism for project financing, the NIB could help provide funding for projects stalled by monetary constraints. This is particularly true for large scale projects that may be too complicated or costly for traditional means of financing. In the short-term, providing resources for infrastructure investment would have clear, positive impacts for recovery and growth. It has been estimated that every $1 billion in highway investment supports 30,000 jobs,37 and that every dollar invested in infrastructure increases GDP by $1.59.38 It has also been projected that an investment of $10 billion into both broadband and smart grid infrastructure would create 737,000 jobs.39 In the longer-term, infrastructure investments supported by the NIB will allow the U.S. to meet future demand, reduce the waste currently built into the system, and keep pace with competition from global rivals. The NIB will harness private capital to help government pay for new projects. The NIB would magnify the impact of federal funds by leveraging them through partnerships with private entities and other actors, providing taxpayers with more infrastructure bang for their public buck. Estimates have placed the amount of private capital readily available for infrastructure development at $400 billion,40 and as of 2007, sovereign wealth funds—another potential source of capital—were estimated to control over $3 trillion in assets with the potential to control $12 trillion by 2012.41 While these and other institutional funds have experienced declines as a result of the economic downturn, they will continue to be important sources of large, long-term investment resources. By offering loan guarantees to induce larger private investments or issuing debt instruments and securities, the NIB could tap these vast pools of private capital to generate investments much larger than its initial capitalization. In doing so, it could also lower the cost of borrowing for municipalities by lowering interest on municipal bonds for state and local governments by 50 to 100 basis points.42 The NIB would also be poised to help taxpayers take full advantage of historically low borrowing costs. In 2010, the yield on 10-year U.S. Treasuries reached a historic low of 3.22%, as compared to a rate of 6.03% in 2000 and a peak rate of 13.92% in 1981. Prior to the Great Recession, this rate had not dipped below 4% since 1962.43 By allowing government and private actors to access financing at historically low rates, the NIB would help to capitalize on a once-in-a-lifetime window to make enduring infrastructure investments.

**B. CAPITAL INVESTMENT – infrastructure is key to attract foreign and private investment**

**Buchanan, 9 – Associate Professor at The George Washington University Law School, and a former economics professor** (11/19/09, Neil H., “Why the U.S. Government Must Invest in Infrastructure Now, Or Pay A Steep Cost,” http://writ.news.findlaw.com/buchanan/20091119.html, JMP)

Recently, I returned from a trip to Austria, Spain, England, and Scotland. By coincidence, the first issue of The New York Times I picked up after returning to this country included an op-ed column by Bob Herbert, who argued passionately that the United States is falling behind our peers in virtually all areas of public investment -- roads, bridges, electrical grids, education, and more. After my trip, and after looking carefully into the evidence on the matter, I am convinced that Herbert is correct.

In this column, I will first reflect on some of the things I saw on my recent travels that confirm Mr. Herbert's dire assessment of the United States' position, relative to the rest of the relatively advanced economies in the world. I will then consider the broader policy initiatives that continue to be essential for our future prosperity, initiatives that have not been able to gain traction in U.S. policy debates for the last several decades.

My basic contention, however, is a simple one: The federal government is the only entity that has the opportunity to change the foundation on which our future prosperity will be built. If we continue to ignore the pressing needs that only the federal government can fill, then our future will be much poorer and more dangerous. And there is no better time than today to address these needs – for infrastructure improvement will address not only the United States' competitiveness, but also its strikingly high levels of unemployment and underemployment.

The Stark Contrast Between Traveling in Europe, and in the United States

Every traveler must, by definition, come into direct contact with a country's transportation infrastructure. Whether he or she is traveling by train, plane, bus, automobile, or any other mode of transportation, the traveler's experience will directly reflect the practical effects of policy choices made by a country's government in designing its public infrastructure.

It is, of course, dangerous to draw general conclusions about policy based on a few weeks of travel. Bad experiences can happen in even the best-designed systems; inferior systems might seem attractive on a good day. Even so, patterns begin to emerge; and experiences in one country can provide useful examples of alternative ways to organize and build a society.

Moreover, there is ample independent verification of the overall state of the infrastructure in the United States. The Brookings Institution's Metropolitan Policy Program, which Herbert's op-ed cited, includes a Metropolitan Infrastructure Initiative, which has assessed the state of the roads, bridges, etc., in the United States. Its findings are quite disturbing, citing conclusions ranging "from genuine concern about the condition and quality of our existing infrastructure, to difficulties and lack of choices in moving people and goods."

Similarly, earlier this year, the American Society of Civil Engineers issued a report that assessed the state of America's bridges, roads, drinking water systems, sewage treatment facilities, and so on. The engineers' overall assessment, based on an academic grading scale, was that infrastructure in the U.S. receives a grade of "D."

How does poor infrastructure show itself in day-to-day living? Take, for example, my trip from the United States to Vienna, Austria, and contrast that with my return to Washington, D.C. Arriving in Vienna, the airport was uncongested, clearing Customs took less than one minute, and I was out of the airport in a matter of minutes after that. At that point, there were clearly-marked signs for a high-speed train from the airport, which offered a mere seventeen-minute ride from the airport (on the outskirts of that nation's capital city) to the city's center. And in fact, the seventeen-minute train ride really took seventeen minutes.

From there, an array of choices for subways, trams, and buses was available. There was no need to hire a taxi, but if that had been necessary, it would have cost approximately thirty dollars to travel from the airport to my hotel on the other side of the city.

Compare this to my experience when arriving at Dulles International Airport, outside Washington, D.C. The airport was clogged with people, and information was not easy to find. Clearing Customs was a thirty-minute ordeal through a snaking line of angry travelers, even though the actual contact with a customs agent was at most a 20-second encounter. For those who wish to travel into D.C. from the airport, there is no train available. Finding the only bus service from the airport is non-intuitive (to say the least), and that bus ride does not terminate in Washington, but in Arlington, Virginia. A taxi or limo can cost up to one hundred dollars, depending upon where one goes in Washington.

Perhaps Vienna, Austria is a unique example. Austria is a small country, and its capital is not as large as ours. In my travels, however, I took flights through airports in Bilbao, Spain; Munich and Stuttgart, Germany; London; and Edinburgh, Scotland. The contrast with airports in the U.S. was stunning. Flights in Europe were on time or early. Transportation into and out of the nearby cities was inexpensive and efficient. The entire traveling experience, while never enjoyable, was at least never miserable. That's quite a contrast to far too many experiences I -- like so many others -- have endured in the United States.

The Stakes: Economic Competitiveness and Political Relevance

But other than personal inconvenience, readers may ask, why does any of this truly matter? If one wants to travel to D.C., then one puts up with it. The destination is what matters, not the journey, right?

Hardly. Tourism matters – as an extremely important economic engine in many areas, including Washington, D.C. And, even more importantly, business matters. And experiences such as those I had will directly affect the decisions that people in business make about where to locate their companies' offices, and with whom to engage in commerce.

Decisionmakers, both in the U.S. and abroad, know that our transportation networks are decades out of date and are falling apart. That is not enough to drive all business out of this country, of course, but it certainly means that many marginal decisions will cut against the interests of the United States. If we want to be internationally competitive, then we must improve our "welcome mat."

Moreover, the same decisions that will inevitably push businesses to locate in, or even relocate to, other countries threaten to change the notion that the United States is the center of it all. While some pundits claim that U.S. debt or financial policies are pushing business abroad, infrastructure surely remains a profoundly important factor: Is it physically possible to move around in a particular country with reasonable speed and efficiency?

We fall painfully short in that regard. And if we continue to push the world away in this respect, then it is inevitable that the world will, over the years, come to care less and less about the United States.

**C. BUSINESS CONFIDENCE – an NIB bolsters private sector confidence and encourages private sector spending**

**Skidelsky & Martin, 11 – \*Emeritus Professor of Political Economy at the University of Warwick, AND \*\*macroeconomist and bond investor** (3/30/2011, Robert Skidelsky and Felix Martin, New York Review of Books, “For a National Investment Bank,” http://www.skidelskyr.com/site/article/for-a-national-investment-bank/, JMP)

But could a National Investment Bank also help with the urgent problem of the weak recovery and the exhaustion of the current policy options? We believe that it could. Keynes was skeptical that economies can stage spontaneous recoveries from major slumps because he recognized the central importance of confidence in a market system. The destruction of confidence caused by a severe recession leads to a collapse in investment, which leads to further deterioration in confidence, and hence to further reduction in investment. In a slump, there is no shortage of savings and liquidity in the economy (and this is why further increasing liquidity, for example by quantitative easing, does little good). The problem is that private businesses do not want to borrow and invest—regardless of how low interest rates on borrowing are—because the future is particularly uncertain and they see no clear prospects for future demand. The current situation in the US conforms closely to Keynes’s analysis. There is no shortage of savings—the proportion of disposable income that American households save has jumped from below 2 percent immediately before the crisis to over 5 percent today, and US banks are sitting on record levels of cash. But there is a chronic shortage of confidence in future demand—so these savings are sitting in the most riskless of places—in short-term Treasury bills, and in banks’ accounts at the Federal Reserve. Keynes’s summary of the situation in 1932 still makes sense today, though in less extreme degree: It may still be the case that the lender, with his confidence shattered by his experience, will continue to ask for new enterprise rates of interest which the borrower cannot expect to earn…. If this proves to be so, there will be no means of escape from prolonged and perhaps interminable depression except by state intervention to promote and subsidise new investment. The central challenge is to restore confidence on the one hand and on the other to find a way of deploying idle cash to finance the resulting investments. Keynes argued for the direct solution: let the government do both. By increasing fiscal expenditure, it will support demand now and bolster confidence for the future; and by issuing bonds to finance the resulting deficit, it will put the savings currently hiding in cash and Treasury bills to work. In effect, expenditures sponsored by government would substitute for the lost confidence of the private sector until business regains the confidence needed for future investment. For the time being such a policy is politically impossible, as President Obama has made clear. But the creation of a National Investment Bank provides an alternative solution—and one that has the cardinal virtue, in the current political situation, of not requiring the government to increase its borrowing significantly. As in the classical Keynesian solution, the federal government can revive confidence by making clear its support for large-scale, long-term investment programs—programs that will involve tens of billions of dollars of investment and generate hundreds of thousands of jobs. But unlike in the classical solution, the investments will be made by the private sector or by local governments, and the idle cash to fund these investments will be borrowed and deployed not by the federal government but by the National Investment Bank. Of course, the creation of a National Investment Bank cannot be a fiscal free lunch. Congress would need to appropriate sufficient funds to inject the initial capital of the bank. But the essence of banking is the ability to make loans up to a multiple of several times initial capital. For every dollar of initial capital from Congress, the National Investment Bank would be able to finance investment up to a sizable multiple of this initial capital by borrowing the extra dollars now languishing in the private capital markets. It would operate in two main ways. In some cases, the bank would offer a partial or full guarantee of repayment on bonds issued directly by investment projects themselves, thereby assuming some or all of the risk of the projects, and so reducing their cost of funding. But for the most part, the bank itself would lend to finance investment projects, and raise funds for lending from the capital markets by issuing long-term bonds carrying a modest premium over the interest rate on government securities. Such National Investment Bank bonds would likely be attractive assets for pension funds and other long-term investors.

**Leveraging stagnant private sector demand solves aggregate demand, unemployment, and debt reduction**

**Skidelsky & Martin 11** (3/30/2011, Robert Skidelsky, Emeritus Professor of Political Economy at the University of Warwick, Felix Martin, macroeconomist and bond investor, New York Review of Books, “For a National Investment Bank,” http://www.skidelskyr.com/site/article/for-a-national-investment-bank/, ngoetz)

President Obama is in a bind. He knows that the economic recovery is fragile and dependent on continued fiscal stimulus—hence the bipartisan deal on further tax breaks he brokered in December. But he also knows that the tolerance in Washington for deficits of close to 10 percent of Gross Domestic Product is running out. In the short term, the politics of the new Congress will not allow them; and in the long term, the President’s own National Commission on Fiscal Responsibility and Reform has warned against them. The President’s dilemma was on open display in his State of the Union address in January. It is, he said, deficit spending by government that has “broken the back of this recession”; and government-supported investment in innovation, education, and infrastructure that is needed to “win the future.” But while sending to Congress a budget that he promised will produce “countless new jobs,” the President at the same time proposed to cut the deficit by more than $400 billion over the next decade. Overall investment and spending must be maintained by the government in order to support the economy at a time when unemployment remains at unprecedented postwar levels and a quarter of home owners owe more on their mortgages than the value of their property. The Federal Reserve has tried to stimulate the economy through a loose monetary policy, keeping interest rates very low and purchasing $600 billion in Treasury notes from big banks in an effort to make more money available to the banking system—a measure called quantitative easing. But the deficit must also be cut in order to preserve the nation’s creditworthiness. This is the urgent challenge the President knows America is facing. Is there a way to square the circle? Part of the solution, we believe, lies in the creation of a National Investment Bank that will produce more jobs while not seriously increasing the deficit. Behind this lies solid economic theory. The theory is Keynesian. John Maynard Keynes did not deny that market economies recovered “naturally” from slumps. He argued that their natural recovery mechanisms were too weak to bring them back to “full employment” within a “reasonable time” (say, three or four years). When private business confidence has been crushed and private investors’ appetite for risk has been curtailed by the painful experience of a recession, private spending will remain in the doldrums for a prolonged period even though output is well below capacity, resources lie idle, and people are unemployed. This is what occurred during the Great Depression, when the American economy took eight years after 1929 to regain its pre-crash peak output, and unemployment remained over 10 percent for more than a decade. In these circumstances, Keynes argued that the government should run an increased budget deficit to support recovery, because the government is the sole agency able to prevent total spending in the economy from falling below a reasonable level of activity and employment. If private spending is depressed the government can restore “aggregate demand”—the total spending and investment in the economy—to a higher level by adding to its own spending or reducing taxes. By contrast, any attempt to reduce the fiscal deficit while large spare capacity exists will only make matters worse. If the economy is severely “underemployed,” government spending that produces a deficit will not “crowd out” private spending. It will replace private spending that is not taking place. Few dispute that the US is not enjoying a normal recovery by recent standards. Economists talk about the persistence of the “output gap”—a theoretical concept that captures the difference between what the economy could produce if all available resources were employed and what it actually does. The Congressional Budget Office, for example, estimates in its latest assessment that the economy is still running at nearly 6 percent below potential.1 The man or woman in the street has a more direct measure of the problem: an unemployment rate close to 9 percent three years after the recession began. In the recessions of the early 1980s, 1990s, and 2000s, by this point in the recovery the total number of Americans employed was at, or above, the total number employed before the recession began. At the end of 2010, there were still more than seven million fewer Americans with jobs, full-time and part-time, than in March 2008. In this dismal situation, it is not surprising that Keynes’s diagnosis and his policy prescriptions have had a major revival, and fiscal policy throughout the OECD nations reflected this in the initial period of the global financial crisis. Fiscal stimulus in order to stabilize aggregate demand became the order of the day. As the crisis itself recedes into the distance, however, old dogmas have reemerged. The Keynesian case for deficit spending is challenged by the theory of “expansionary fiscal contraction,” which alleges that deficit spending will, on the one hand, “crowd out” private spending by depressing consumption. This will happen as households save more to pay anticipated higher taxes that will have been increased in order to pay for deficit spending. The public deficit will also constrain investment, since interest rates will have to rise as the government borrows money to cover the deficit. On the other hand, the theory proposes that “fiscal consolidation,” or reduction of the deficit, will increase household consumption, since households no longer anticipate increased taxes, and also investment, by making credit cheaper. The conditions needed to validate this theory are highly unreal, and there is negligible empirical evidence to support it.2 But the vague air of moral rectitude that surrounds policies of austerity has reexerted a powerful influence over financial markets, and in its name, most OECD countries have now agreed on four- or five-year plans to liquidate deficits. “Fiscal consolidation” has become the new orthodoxy. The US is no exception. The Simpson-Bowles commission on the deficit has confirmed that the US faces larger long-term fiscal challenges than most other countries, and that major reform is needed. The Republican majority in the House of Representatives has placed cutting government expenditure at the heart of the political agenda for both parties. For the time being at least, the ideological winds have changed, and the President knows that it would be unrealistic to expect any further help from direct fiscal stimulus, despite the lethargic pace of the recovery. So the situation the President faces can be summarized as follows. Aggregate demand is not recovering sufficiently, and continues to need stimulus in order to restore employment to a reasonable level within an acceptable span of time. But it has become politically impossible to increase the government deficit; and even the extraordinarily loose monetary policy we have mentioned is not proving sufficiently effective to produce a full recovery. The tall order facing President Obama, then, is to find policies that can maintain demand without expanding the deficit. The creation of a National Investment Bank should be at the top of his list. A National Investment Bank could achieve two goals simultaneously: it could improve the long-term prospects of the US economy for growth by improving its facilities for energy, transportation, water supply, and much else, while offsetting the contractionary effects of orthodox fiscal policy. The first goal is likely to be the least controversial. After all, it was on these grounds that a National Infrastructure Reinvestment Bank was proposed in Congress in 2007 and 2009. On March 15 of this year a bipartisan group of senators headed by John Kerry proposed an infrastructure bank on exactly these grounds. The traditional case for public development banks is that they can incorporate national policy objectives into their lending strategies—and by doing so, avoid short-term “market failures” in private capital markets—failures that result in the lack of funding for projects of long-term value to the national economy. Unlike a commercial bank, a National Investment Bank would appraise such projects for financing not only on the basis of their profitability—though this would still be a necessary condition for approval—but also on the basis of their contribution to national policy objectives—such as the promotion of exports, the repair and development of infrastructure, and the efficient reduction of carbon emissions. Such an appraisal would thus take into account the benefits that such projects would bring to the broader economy.

**D. EMPIRICS – every other national infrastructure bank has been massively successful at leveraging capital**

**Skidelsky & Martin 11** (3/30/2011, Robert Skidelsky, Emeritus Professor of Political Economy at the University of Warwick, Felix Martin, macroeconomist and bond investor, New York Review of Books, “For a National Investment Bank,” http://www.skidelskyr.com/site/article/for-a-national-investment-bank/, ngoetz)

Such are the principles of our proposal, but what about the practicalities? Could a National Investment Bank operate on a scale that would make a material difference to aggregate demand and employment? And how would the bank operate in practice? A useful example of the scale of what our proposal could achieve is provided by the European Investment Bank (EIB). The European Union has an economy of a similar size and level of development to the US—in 2010 the GDP of the EU was around $16 trillion, and of the US around $15 trillion—and the EIB is its public development bank. The EU governments that own the EIB have contributed approximately $50 billion of capital to it; and the bank currently borrows a further $420 billion from the private capital markets to finance a total lending portfolio of some $470 billion. In other words, for a fiscal outlay of $50 billion, the EU governments are able to finance investments worth more than $470 billion. The EIB has funded major infrastructure projects throughout Europe, from the port of Barcelona to the Warsaw beltway, and from France’s famous TGV network to Britain’s new, world-leading offshore wind industry. In doing so, it has consistently turned a profit and maintained negligible delinquencies over five decades.

If a US National Investment Bank were established on a similar scale, the investment spending it could therefore finance over ten years at a direct cost of around $50 billion could more than offset the $400 billion of expenditure cuts promised by President Obama in his State of the Union Address and proposed in his recent budget over the same period. The bank would achieve a more than $400 billion increase in aggregate demand in return for a $50 billion increase in the federal government’s debt. But the real return would be much greater. By making clear a national commitment to a coherent and rigorously appraised program of economic restructuring and the investment necessary to support it, the bank would also revive confidence in demand and so provide the basis for a self-sustaining private sector recovery.

As for the details of the bank’s operations and governance, there is a wealth of successful precedents, from the German Kreditanstalt fur Wiederafbau (KfW) in Europe, to the Korea Development Bank (KDB) and the Development Bank of Japan (DBJ) in Asia. The common features are government ownership, a conservative ratio of lending to capital, and a clear mandate to support long-term national economic priorities. It is important that the bank should function as a professional organization with political independence in its daily operations, in order to ensure that the projects would be rigorously appraised according to the needs for infrastructure they would fulfill and for their future profitability.

The Federal Reserve provides an existing and well-accepted model for how political accountability can be combined with operational independence. The National Investment Bank could follow the same model for the appointment of its chief executive and supervisory board. As with the Fed, the chief executive and Board of Governors could be appointed by the President and confirmed by the Senate. It would be audited by an inspector-general and the Government Accountability Office.

In fact, the US government is no stranger to running development banks as a result of its existing involvement in the World Bank and the European Bank for Reconstruction and Development, in both of which it is a major shareholder, and in which US citizens hold many senior executive positions. (It is worth remembering that a number of distinguished bankers and businessmen have been willing to preside over the World Bank, from Eugene Meyer and John McCloy in its early years to James Wolfensohn in the last decade.) There is now an opportunity for America to put to work the expertise it has accumulated in these institutions in meeting its own economic challenges.

The creation of a National Investment Bank would also have a final benefit that would be peripheral to its main purpose but might in the long run be its most important. The financial crisis has left the impression that the main purpose of the banking sector is to enrich a tiny elite at the expense of taxpayers. Adair Turner, the chairman of the UK Financial Services Authority, expressed a widespread sentiment when he said in a review of the past decade of financial innovation that much of it was “socially useless..”4 In fact, the public understands that a well-functioning financial system is essential to the US economy; and in the light of recent experience, many also understand that extensive changes in behavior are required to bring such a system into being. Apart from the Dodd-Frank bill passed in July 2010, further regulatory reform for existing banks is clearly necessary, as the recent findings of the Financial Crisis Inquiry Commission, under Phil Angelides, have made clear. But such comprehensive efforts will be complex, and new regulatory regimes in particular take time to become established.

A National Investment Bank, by contrast, would be able to adopt stricter rules from its inception, and thus demonstrate the social value of the financial sector to a quite justifiably disenchanted public. It could restore confidence, not only in future demand, but in banks and in banking itself.

## Partnerships

**Contention 2 is partnerships:**

**Partnerships enjoys support; the NIB will model effective partnerships and spill over to other federal agencies**

**Likosky et al ’11 - senior fellow at the Institute for Public Knowledge, New York University** (Likosky, Michael. Josh Ishimatsu. Joyce Miller. “RETHINKING 21ST - CENTURY GOVERNMENT: PUBLIC-PRIVATE PARTNERSHIPS AND THE NATIONAL INFRASTRUCTURE BANK”. June, 2011. http://www.ssrc.org/workspace/images/crm/new\_publication\_3/%7B2c5cfcc9-6b9e-e011-bd4e-001cc477ec84%7D.pdf)

In an era of severe budgetary constraints, how can the federal government ensure that America is investing in what is needed to promote economic competitiveness, broad-based opportunity, and energy security? Increasingly, public-private partnerships enjoy broad support as the answer to this question, across party lines and political divisions. Partnership-driven projects are pursued today in wide-ranging areas, including education, transportation, technology, oil and gas, clean energy, mineral extraction, and manufacturing. Well-considered partnerships compliment, strengthen, and reinforce those existing meritorious approaches carried out through traditional means. They represent a fundamentally distinct way for government to address complex challenges, with federal agencies playing a catalytic role rather than a directive one. A National Infrastructure Bank can provide the requisite capacity to implement public-private partnerships.

Rethinking the Function of Government

America is at a standstill. Federal, state, and local governments are facing overburdened public balance sheets while enormous sums sit in limbo in pension funds and in the accounts of what the mckinsey global Institute has called the new global power brokers: Asian sovereign funds, petrodollar accounts, private equity funds, and hedge funds. 1 It is why President obama posed this question to his economic Recovery Advisory Board in 2009:

Obviously we’re entering into an era of greater fiscal restraint as we move out of deep recession into a recovery. And the question I’ve had is people still got a lot of capital on the sidelines there that are looking for a good return. Is there a way to channel that private capital into partnering with the public sector to get some of this infrastructure built? 2

Unless we can shepherd this money into our productive economy, the country will have to forego much-needed projects for lack of financing.

Public-private partnerships involve federal agencies coinvesting alongside state and local governments, private firms, and nonprofits. Having partnerships within a government’s toolbox not only brings a sizable new source of capital into the market, it also allows public officials to match assets with the most appropriate and cost-effective means of financing. If a class of existing and new projects can be financed from private sources, then we can begin to decrease our debt burden while also investing and growing our economy. Scarce public funds are then freed up to be spent on essential services and those projects best financed through traditional means.

Because the success of partnerships depends upon collaborations between government and private firms that may under other circumstances be viewed as raising conflicts of interest, a rethinking of the function of government is essential. In a recent opinion piece in the Wall Street Journal, the president announced an executive order, Improving Regulation and Regulatory Review, 3 which “requires that federal agencies ensure that regulations protect our safety, health and environment while promoting economic growth.” 4 The piece, entitled “Toward a 21st-century Regulatory System,” was accompanied by an evocative drawing of a regulator wielding an oversized pair of scissors busily cutting through a sea of red tape. While widely viewed as an effort to curry favor with American businesses, this presidential outreach can also be read as an indication that the federal government will support—and encourage—divergent groups working together to cut through outmoded, counterproductive, or unnecessarily burdensome regulation.

Public-private partnerships are especially suited to fulfilling the order’s directives and can serve as a model for our twenty-first-century federal agencies. If coming together as a team—public and private, Republican and Democrat, progressive and Tea Party—is a precondition not only to winning the future but also to solving today’s seemingly intractable problems, then we must take the task at hand seriously. Diverse groups must appreciate the unique and valuable resources and perspectives that those who are their combatants in other contexts bring to the team. Government agencies, more accustomed to acting as referee—setting down basic rules of the game and constraining behavior deemed contrary to the public interest—must find ways of coaching this unruly bunch, not from the sidelines but as a vital player.

Government as player coach

In a recent appearance at gamesa Technology corporation’s factory in Fairless hills, Pennsylvania, President Obama called attention to the political challenge inherent to any large undertaking. This was a fitting locale for a discussion of the federal government’s evolving role, as Obama had helped catalyze a deal whereby the cerro de hula wind farm in honduras would purchase turbine exports from the gamesa factory with support from the export-Import Bank of the united States and from the central American Bank for Integration

A question from the factory floor concerned the proposed US Smart grid, an ambitious, expensive national project to create a modernized, efficient national electricity grid that would save energy over the long haul by reducing the waste tied to our country’s antiquated distribution network. Asked whether the federal government had plans to lay out the substantial sum needed to carry out this endeavor, the president gave an answer that might surprise some, explaining that “the challenge is not so much a money issue.” Pointing to the fact that we “could probably get a lot of private-sector dollars to invest in a smart grid,” he asserted that the challenge was instead a political one, “all these different zoning laws” that arise because “people don’t want transmission lines, et cetera, in their vicinity.” moreover, “each state and each local government has its own control about siting issues,” so that America behaves like a patchwork of interests rather than as a united nation. 5

This political challenge is not a light one and requires working together across diverse interests to coalesce as a team. No longer able to use the power of the purse as primary leverage, government must identify its own unique capacities as a problem-solver within a changed landscape, shifting from a directive to a catalytic role in order to identify and amend problematic regulation that stifles innovation and restricts economic growth while strengthening regulation essential to protect the public. Coaching from the sidelines will no longer ensure a win. Government will only be fully engaged and effective if it has a direct interest in the outcome—federal agencies must act as player-coaches.

A player-coach is a member of the team who simultaneously holds both playing and coaching responsibilities. The challenges and constraints faced by fellow team members can best be appreciated on the field, in the heat of play. The player-coach can then inspire the top individual performance of each player while keeping everyone’s eyes on the ball, lending a hand when his or her particular skills are called for. A player-coach does not embrace a game without rules nor an overly managerial approach because he or she knows first-hand both the value of a game plan and the need to adapt, problem-solve, and innovate on the fly. genuinely skilled player-coaches are able to move strategically and seamlessly between their roles as coach and player in a way that maximizes the team’s interests. one of the best, Bill Russell, found just the right balance in his second season as player-coach of the Boston celtics, when he began making careful targeted use of his time off the sidelines after spending many minutes on the court in his first season. 6

Most important, a player-coach agency can turn opponents into teammates. Too frequently, we hamstring our ability to work together by tethering our debates over the appropriate role and function of government to philosophical poles of government and the economy—such as a night-watchman state or a keynesian one. These approaches exist in their pure forms only within textbooks and political discourse. Today’s pressing challenges demand that we eschew the litmus-test politics that result from the lionizing of philosophical puritanism so that we can find common ground—where traditional regulation and business innovation meet— and advance our shared values together in a workable way. For America to win the future, the government must be fully in the game with truly modern entrepreneurial public agencies that promote public values as a growth accelerant.

The Economic Philosophy of Public Private Partnership

In his last two shareholder letters, Warren Buffet, chairman and chief executive officer of the large holding company Berkshire hathaway, set out the basic economic philosophy behind public-private partnerships. Berkshire has made investing in these partnerships a new core aspect of its portfolio, both out of a sense of national duty and with the expectation of years of reliable returns.

In his 2009 letter, Buffet groups Berkshire’s electricity and railroad investments in the common category of “regulated utility.” Arguing that “it is inconceivable that our country will realize anything close to its full economic potential without its possessing first class electricity and railroad systems,” he indicates that Berkshire “will do our part to see that they exist.” In return, Buffet expects “this regulated sector to deliver significantly increased earnings over time, albeit at the cost of our investing many tens—yes, tens—of billions of dollars of incremental equity capital.” In other words, Berkshire commits to large sums of upfront capital and ongoing investments to help drive the economic growth necessary to generate direct and indirect profits in the future as individuals and governments become less cash-strapped.

Buffet takes the position that the bond holding together the long-term business relationships between Berkshire and “the public” arises from a “social compact.” It is a compact based in part on pragmatism: “If either side shirks its obligations, both sides will inevitably suffer.” This pragmatism stems from enlightened self-interest: “both parties to the compact should—and we believe will—understand the benefit of behaving in a way that encourages good behavior by the other.” Private-sector contributions to public works that benefit all require “wise regulators who will provide certainty about allowable returns so that we can confidently make the huge investments required.” 7

This appeal to a social compact is not a radical idea. Many presidents have turned to partnerships as a way to mobilize the private sector. In 1981, Ronald Reagan formed the Presidential Task Force on Private Sector Initiatives, which brought together “leaders from corporations, foundations, and voluntary and religious organizations” for the purpose of “promot[ing] private sector leadership and responsibility for solving public needs, and to recommend ways of fostering greater public-private partnerships.” 8 Abraham Lincoln’s Transcontinental Railroad, Teddy Roosevelt’s Panama canal, and Dwight Eisenhower’s National System of Interstate and Defense highways would all unify the nation—and support America’s growth—for generations as the foundations of a truly national economy.

Public-private partnerships have also been a centerpiece of our foreign commercial affairs across presidencies and parties. In fact, Franklin Delano Roosevelt’s export-Import Bank and Richard Nixon’s overseas Private Investment corporation are both durable partnership-driven foreign-affairs institutions that together literally wove the World Wide Web with the laying of fiber-optic cables around the globe.

**NIB is key to send a strong signal to private sector investors**

**Puentes 12 – Senior Fellow, Metropolitan Policy Program at Brookings** (7/16/2012, Robert, “What Would an Infrastructure Bank Really Do?” http://www.tnr.com/blog/the-avenue/105017/what-would-infrastructure-bank-really-do, JMP)

Third is that the establishment of an NIB would be a strong signal to the private sector that the national government is committed and open to private involvement in infrastructure financing and delivery. Today private sector financiers and investors are understandably frustrated by the lack of clarity about the rules of engagement that is--as in many states--a real hindrance to the development of the public-private partnership market.

**Partnerships are k2 lowering space exploration costs – they fill in government R&D budgets**

**Taylor 8** (Tom, Lunar Transportation Systems, Vice president and senior member, “Outreach Development Public Private Partnership for Space Exploration”, http://tinyurl.com/Outreach-Development-Public-Pr)

Continuing innovation and technology development is one way a global leader nation defines itself. Both happen in war and can happen in peace, if we think like President Lincoln. Innovation adds new dimensions to technology and sometimes comes from unexpected avenues. Innovation and how to stimulate it plus finance it is the subject of this paper. The opportunities available to mankind in the exploration of the universe are bigger than the Louisiana Purchase, and space commerce generally brings innovation and reduces costs in a competitive marketplace. Public Private Partnerships (PPP) are one method of expanding the money available to develop the opportunities. President Lincoln started the Transcontinental Railroad during our most costly war and it accelerated the development of the American West. Space exploration is a milestone for our species of a magnitude and opportunities never before encountered. Lincoln chose to stimulate others to finance the transportation into the American West by leapfrogging into building a railroad to the Pacific. America must again innovate, leapfrog our technology and build the partnerships plus the hardware stimulated by innovation and private investment to come forward and fill in the “gaps” in government space budgets. Space exploration innovation must energize our American economic engine and to “be what we can be.” We need to start the big projects that are not getting start by government space budgets alone. This innovation includes collecting energy in space for Earth use, developing trade routes beyond our home planet, joining nations to build projects, combining global government capabilities to solve climate problems and to use our resources in a peaceful manner, which is done everyday by global commerce. Society expects space tourism to produce low costs quickly, but entrepreneurs/financers need larger commercial markets on which bankers are comfortable. What are some examples of innovation that might impact our problems/solutions? Space Based Solar Power is perceived as so large and expensive everybody is scared to touch it for fear their budgets will be changed, yet it has become near term and very “GREEN” in its solution. Congress waits until problems are so large that massive solutions are forced instead of solving problems in a planned manner. Lunar bases are orders of magnitude more remote than bases on Earth, but lessons learned like the North Slope of Alaska can teach us about our first trade route beyond Earth including logistics and private financial development techniques. Within PPPs, government stretches space budgets, increases vehicle innovation without cost, with less cost to the taxpayers, and gains cost advantages of larger markets. This paper explores innovation and PPPs to bring governments and innovation together to stimulate financing to flourish in a world of dwindling resources. History will view lunar trade routes as a slow start after the Apollo landings in 1969, but the commerce possible from an evolving, affordable, two directional, sustainable trade route will definitely be a part of it, with at least one early transportation native financed privately to remain in operation after NASA moves on to explore the universe.

**Space exploration costs are unsustainable now-the private sector is key**

**Seck 8/26** (Naomi, “Space race, on a budget, was not how Armstrong saw it,” http://phys.org/news/2012-08-space-armstrong.html, jkim)

More than 40 years after Neil Armstrong landed on the moon, humans continue to push the frontiers of space exploration but missions are being tempered by costs, a trend that concerned the astronaut.

The blank check from government that financed adventures in the Cold War-era is no longer available, with today's missions depending more on the private sector and international cooperation—often because of budget considerations. Armstrong, who died Saturday, criticized President Barack Obama in 2010 for cost-cutting plans that, in part, retired the US space shuttles—effectively ending the American role in sending humans out of Earth's orbit. Now, US astronauts—whose predecessors worked feverishly to beat Russia's efforts to the moon—ride as passengers on Russian spacecraft, and hopes for NASA's own future manned flights to the International Space Station are pinned on private companies, which are trying to build cheaper shuttle alternatives.

**Low cost orbital access solves extinction – resource wars, accidents**

**Collins and Autino 10 – Life & Environmental Science, Azabu University AND Andromeda Inc., Italy** (Patrick and Adriano, “What the growth of a space tourism industry could contribute to employment, economic growth, environmental protection, education, culture and world peace,” Acta Astronautica 66 (2010) 1553–1562, science direct)

The major source of social friction, including international friction, has surely always been unequal access to resources. People ﬁght to control the valuable resources on and under the land, and in and under the sea. The natural resources of Earth are limited in quantity, and economically accessible resources even more so. As the population grows, and demand grows for a higher material standard of living, industrial activity grows exponentially. The threat of resources becoming scarce has led to the concept of ‘‘Resource Wars’’. Having begun long ago with wars to control the gold and diamonds of Africa and South America, and oil in the Middle East, the current phase is at centre stage of world events today [37]. A particular danger of ‘‘resource wars’’ is that, if the general public can be persuaded to support them, they may become impossible to stop as resources become increasingly scarce. Many commentators have noted the similarity of the language of US and UK government advocates of ‘‘war on terror’’ to the language of the novel ‘‘1984’’ which describes a dystopian future of endless, fraudulent war in which citizens are reduced to slaves.

7.1. Expansion into near-Earth space is the only alternative to endless ‘‘resource wars’’

As an alternative to the ‘‘resource wars’’ already devastating many countries today, opening access to the unlimited resources of near-Earth space could clearly facilitate world peace and security. The US National Security Space Ofﬁce, at the start of its report on the potential of space-based solar power (SSP) published in early 2007, stated: ‘‘Expanding human populations and declining natural resources are potential sources of local and strategic conﬂict in the 21st Century, and many see energy as the foremost threat to national security’’ [38]. The report ended by encouraging urgent research on the feasibility of SSP: ‘‘Considering the timescales that are involved, and the exponential growth of population and resource pressures within that same strategic period, it is imperative that this work for ‘‘drilling up’’ vs. drilling down for energy security begins immediately’’ [38].

Although the use of extra-terrestrial resources on a substantial scale may still be some decades away, it is important to recognise that simply acknowledging its feasibility using known technology is the surest way of ending the threat of resource wars. That is, if it is assumed that the resources available for human use are limited to those on Earth, then it can be argued that resource wars are inescapable [22,37]. If, by contrast, it is assumed that the resources of space are economically accessible, this not only eliminates the need for resource wars, it can also preserve the beneﬁts of civilisation which are being eroded today by ‘‘resource war-mongers’’, most notably the governments of the ‘‘Anglo-Saxon’’ countries and their ‘‘neo-con’’ advisers. It is also worth noting that the $1 trillion that these have already committed to wars in the Middle-East in the 21st century is orders of magnitude more than the public investment needed to aid companies sufﬁciently to start the commercial use of space resources.

Industrial and ﬁnancial groups which proﬁt from monopolistic control of terrestrial supplies of various natural resources, like those which proﬁt from wars, have an economic interest in protecting their proﬁtable situation. However, these groups’ continuing proﬁts are justiﬁed neither by capitalism nor by democracy: they could be preserved only by maintaining the pretence that use of space resources is not feasible, and by preventing the development of low-cost space travel. Once the feasibility of low-cost space travel is understood, ‘‘resource wars’’ are clearly foolish as well as tragic. A visiting extra-terrestrial would be pityingly amused at the foolish antics of homo sapiens using longrange rockets to ﬁght each other over dwindling terrestrial resources—rather than using the same rockets to travel in space and have the use of all the resources they need!

7.2. High return in safety from extra-terrestrial settlement

Investment in low-cost orbital access and other space infrastructure will facilitate the establishment of settlements on the Moon, Mars, asteroids and in man-made space structures. In the ﬁrst phase, development of new regulatory infrastructure in various Earth orbits, including property/usufruct rights, real estate, mortgage ﬁnancing and insurance, trafﬁc management, pilotage, policing and other services will enable the population living in Earth orbits to grow very large. Such activities aimed at making near-Earth space habitable are the logical extension of humans’ historical spread over the surface of the Earth. As trade spreads through near-Earth space, settlements are likely to follow, of which the inhabitants will add to the wealth of different cultures which humans have created in the many different environments in which they live.

Success of such extra-terrestrial settlements will have the additional beneﬁt of reducing the danger of human extinction due to planet-wide or cosmic accidents [27]. These horrors include both man-made disasters such as nuclear war, plagues or growing pollution, and natural disasters such as super-volcanoes or asteroid impact. It is hard to think of any objective that is more important than preserving peace. Weapons developed in recent decades are so destructive, and have such horriﬁc, long-term side-effects that their use should be discouraged as strongly as possible by the international community. Hence, reducing the incentive to use these weapons by rapidly developing the ability to use space-based resources on a large scale is surely equally important [11,16]. The achievement of this depends on low space travel costs which, at the present time, appear to be achievable only through the development of a vigorous space tourism industry.

8. Summary

As discussed above, if space travel services had started during the 1950s, the space industry would be enormously more developed than it is today. Hence the failure to develop passenger space travel has seriously distorted the path taken by humans’ technological and economic development since WW2, away from the path which would have been followed if capitalism and democracy operated as intended. Technological know-how which could have been used to supply services which are known to be very popular with a large proportion of the population has not been used for that purpose, while waste and suffering due to the unemployment and environmental damage caused by the resulting lack of new industrial opportunities have increased.

In response, policies should be implemented urgently to correct this error, and to catch up with the possibilities for industrial and economic growth that have been ignored for so long. This policy renewal is urgent because of the growing dangers of unemployment, economic stagnation, environmental pollution, educational and cultural decline, resource wars and loss of civil liberties which face civilisation today. In order to achieve the necessary progress there is a particular need for collaboration between those working in the two ﬁelds of civil aviation and civil space. Although the word ‘‘aerospace’’ is widely used, it is largely a misnomer since these two ﬁelds are in practice quite separate. True ‘‘aerospace’’ collaboration to realise passenger space travel will develop the wonderful profusion of possibilities outlined above.

8.1. Heaven or hell on Earth?

As discussed above, the claim that the Earth’s resources are running out is used to justify wars which may never end: present-day rhetoric about ‘‘the long war’’ or ‘‘100 years war’’ in Iraq and Afghanistan are current examples. If political leaders do not change their viewpoint, the recent aggression by the rich ‘‘Anglo-Saxon’’ countries, and their cutting back of traditional civil liberties, are ominous for the future. However, this ‘‘hellish’’ vision of endless war is based on an assumption about a single number—the future cost of travel to orbit—about which a different assumption leads to a ‘‘heavenly’’ vision of peace and ever-rising living standards for everyone. If this cost stays above 10,000 Euros/kg, where it has been unchanged for nearly 50 years, the prospects for humanity are bleak. But if humans make the necessary effort, and use the tiny amount of resources needed to develop vehicles for passenger space travel, then this cost will fall to 100 Euros/kg, the use of extra-terrestrial resources will become economic, and arguments for resource wars will evaporate entirely. The main reason why this has not yet happened seems to be lack of understanding of the myriad opportunities by investors and policy-makers. Now that the potential to catch up half a century of delay in the growth of space travel is becoming understood, continuing to spend 20 billion Euro-equivalents/year on government space activities, while continuing to invest nothing in developing passenger space travel, would be a gross failure of economic policy, and strongly contrary to the economic and social interests of the public. Correcting this error, even after such a costly delay, will ameliorate many problems in the world today.

## Plan

**Thus, the plan:**

**Text: The United States federal government should substantially increase its transportation infrastructure investment through a national transportation infrastructure bank.**

## Impact Framing

**Contention 3 is impact framing**

**We can’t turn off the economy – there’s no alternative to growth**

**Barnhizer 6 — David R. Barnhizer, Emeritus Professor at Cleveland State University’s Cleveland-Marshall College of Law, 2006** (“Waking from Sustainability's "Impossible Dream": The Decisionmaking Realities of Business and Government,” Georgetown International Environmental Law Review (18 Geo. Int'l Envtl. L. Rev. 595), Available Online to Subscribing Institutions via Lexis-Nexis)

The scale of social needs, including the need for expanded productive activity, has grown so large that it cannot be shut off at all, and certainly not abruptly. It cannot even be ratcheted down in any significant fashion without producing serious harms to human societies and hundreds of millions of people. Even if it were possible to shift back to systems of local self-sufficiency, the consequences of the transition process would be catastrophic for many people and even deadly to the point of continual conflict, resource wars, increased poverty, and strife. What are needed are concrete, workable, and pragmatic strategies that produce effective and intelligently designed economic activity in specific contexts and, while seeking efficiency and conservation, place economic and social justice high on a list of priorities. n60

The imperative of economic growth applies not only to the needs and expectations of people in economically developed societies but also to people living in nations that are currently economically underdeveloped. Opportunities must be created, jobs must be generated in huge numbers, and economic resources expanded to address the tragedies of poverty and inequality. Unfortunately, natural systems must be exploited to achieve this; we cannot return to Eden. The question is not how to achieve a static state but how to achieve what is needed to advance social justice while avoiding and mitigating the most destructive consequences of our behavior.

**The pursuit of hegemony is inevitable – the only question is effectiveness**

**Tellis 9 — Ashley J. Tellis, Senior Associate at the Carnegie Endowment for International Peace specializing in international security, defense and Asian strategic issues, Research Director of the Strategic Asia program at the National Bureau of Asian Research, holds a Ph.D. from the University of Chicago, 2009** (“Preserving Hegemony: The Strategic Tasks Facing the United States,” Global Asia, Volume 4, Number 1, Available Online at http://globalasia.org/pdf/issue9/Ashley\_J.\_Tellis.pdf, Accessed 09-13-2011, p. 54-55)

This hegemony is by no means fated to end any time soon, however, given that the United States remains predominant by most conventional indicators of national power. The character of the United States’ hegemonic behavior in the future will thus remain an issue of concern both within the domestic polity and internationally. Yet the juvenescence of the United State’s “unipolar moment,” combined with the disorientation produced by the September 11 attacks, ought to restrain any premature generalization that the imperial activism begun by the Clinton administration, and which the Bush administration took to its most spirited apotheosis, would in some way come to define the permanent norm of US behavior in the global system. In all probability, it is much more likely that the limitations on US [end page 54] power witnessed in Afghanistan and Iraq will produce a more phlegmatic and accommodating United States over the longer term, despite the fact that the traditional US pursuit of dominance — understood as the quest to maintain a preponderance of power, neutralize threatening challengers, and protect freedom of action, goals that go back to the foundations of the republic — is unlikely to be extinguished any time soon.

Precisely because the desire for dominance is likely to remain a permanent feature of US geopolitical ambitions — even though how it is exercised will certainly change in comparison to the Bush years — the central task facing the next administration will still pertain fundamentally to the issue of US power. This concern manifests itself through the triune challenges of: redefining the United States’ role in the world, renewing the foundations of US strength, and recovering the legitimacy of US actions. In other words, the next administration faces the central task of clarifying the character of US hegemony, reinvigorating the material foundations of its power, and securing international support for its policies.

**Consequentialism comes first – key to ethical action**

**Gvosdev 5 – executive editor of The National Interest** (Nikolas, The Value(s) of Realism, SAIS Review 25.1, pmuse, AG)

As the name implies, realists focus on promoting policies that are achievable and sustainable. In turn, the morality of a foreign policy action is judged by its results, not by the intentions of its framers. A foreign policymaker must weigh the consequences of any course of action and assess the resources at hand to carry out the proposed task. As Lippmann warned, Without the controlling principle that the nation must maintain its objectives and its power in equilibrium, its purposes within its means and its means equal to its purposes, its commitments related to its resources and its resources adequate to its commitments, it is impossible to think at all about foreign affairs.8 Commenting on this maxim, Owen Harries, founding editor of The National Interest, noted, "This is a truth of which Americans—more apt to focus on ends rather than means when it comes to dealing with the rest of the world—need always to be reminded."9 In fact, Morgenthau noted that "there can be no political morality without prudence."10 This virtue of prudence—which Morgenthau identified as the cornerstone of realism—should not be confused with expediency. Rather, it takes as its starting point that it is more moral to fulfill one's commitments than to make "empty" promises, and to seek solutions that minimize harm and produce sustainable results. Morgenthau concluded: [End Page 18] Political realism does not require, nor does it condone, indifference to political ideals and moral principles, but it requires indeed a sharp distinction between the desirable and the possible, between what is desirable everywhere and at all times and what is possible under the concrete circumstances of time and place.11 This is why, prior to the outbreak of fighting in the former Yugoslavia, U.S. and European realists urged that Bosnia be decentralized and partitioned into ethnically based cantons as a way to head off a destructive civil war. Realists felt this would be the best course of action, especially after the country's first free and fair elections had brought nationalist candidates to power at the expense of those calling for inter-ethnic cooperation. They had concluded—correctly, as it turned out—that the United States and Western Europe would be unwilling to invest the blood and treasure that would be required to craft a unitary Bosnian state and give it the wherewithal to function. Indeed, at a diplomatic conference in Lisbon in March 1992, the various factions in Bosnia had, reluctantly, endorsed the broad outlines of such a settlement. For the purveyors of moralpolitik, this was unacceptable. After all, for this plan to work, populations on the "wrong side" of the line would have to be transferred and resettled. Such a plan struck directly at the heart of the concept of multi-ethnicity—that different ethnic and religious groups could find a common political identity and work in common institutions. When the United States signaled it would not accept such a settlement, the fragile consensus collapsed. The United States, of course, cannot be held responsible for the war; this lies squarely on the shoulders of Bosnia's political leaders. Yet Washington fell victim to what Jonathan Clarke called "faux Wilsonianism," the belief that "high-flown words matter more than rational calculation" in formulating effective policy, which led U.S. policymakers to dispense with the equation of "balancing commitments and resources."12 Indeed, as he notes, the Clinton administration had criticized peace plans calling for decentralized partition in Bosnia "with lofty rhetoric without proposing a practical alternative." The subsequent war led to the deaths of tens of thousands and left more than a million people homeless. After three years of war, the Dayton Accords—hailed as a triumph of American diplomacy—created a complicated arrangement by which the federal union of two ethnic units, the Muslim-Croat Federation, was itself federated to a Bosnian Serb republic. Today, Bosnia requires thousands of foreign troops to patrol its internal borders and billions of dollars in foreign aid to keep its government and economy functioning. Was the aim of U.S. policymakers, academics and journalists—creating a multi-ethnic democracy in Bosnia—not worth pursuing? No, not at all, and this is not what the argument suggests. But aspirations were not matched with capabilities. As a result of holding out for the "most moral" outcome and encouraging the Muslim-led government in Sarajevo to pursue maximalist aims rather than finding a workable compromise that could have avoided bloodshed and produced more stable conditions, the peoples of Bosnia suffered greatly. In the end, the final settlement was very close [End Page 19] to the one that realists had initially proposed—and the one that had also been roundly condemned on moral grounds.

**The infinite number of potential root causes means only successful deterrence prevents war**

**Moore 4 – Walter L. Brown Professor of Law at the University of Virginia School of Law** (John Norton Moore, “Solving the War Puzzle: beyond the democratic peace,” pg 41-43)

If major interstate war is predominantly a product of a synergy between a potential nondemocratic aggressor and an absence of effective deterrence, what is the role of many traditional “causes” of war? Past and many contemporary, theories of war and religious differences, arms races, poverty or social injustice, competition for resources, incidents and accidents, greed, fear, and perceptions of “honor”, or many other such factors. Such factors may well play a role in motivating aggression or in serving as a means for generating fear and manipulating public opinion. The reality, however, is that while some of these may have more potential to contribute to war than others, there may well be an infinite set of motivating factors, or human wants, motivating aggression. It is not the independent existence of such motivating factors for war but rather the circumstances permitting or encouraging high risk decisions leading to war that are the key to most effectively controlling war….Yet another way to conceptualize the importance of democracy and deterrence in war avoidance is to note that each in its own way internalizes the costs to decision elites of engaging in high risk aggressive behavior. Democracy internalizes these costs in a variety of ways including displeasure of the electorate at having war imposed upon it by its own government. And deterrence either prevents achievement of the objective altogether or imposes punishing costs making the gamble not worth the risk.

**Economic integrity is a prerequisite to freedom**

**Nordhaus 7—prominent and iconic non-mainstream environmentalists, Ted Norhaus has a BA in history from the University of California, Berkeley, Michael Shellenberger has a Master's degree in cultural anthropology from the University of California, Santa Cruz** (Break Through, © 2007, Houghton Mifflin, Google Books, RBatra) p. 35

Just as prosperity tends to bring out the best of human nature, poverty and collapse tend to bring out the worst. Not only are authoritarian values strongest in situations where our basic material and security needs aren't being met, they also become stronger in societies experiencing economic downturns. Economic collapse in Europe after World War I, in Yugoslavia after the fall of communism, and in Rwanda in the early 1990s triggered an authoritarian reflex that fed the growth of fascism and violence. The populations in those countries, feeling profoundly insecure at the physiological, psycho- logical, and cultural levels, embraced authoritarianism and other lower-order materialist values.” This is also what occurred in Iraq af- ter the U.S. invasion."