# 1AC NIB Glenbrooks

## 1AC Economic Growth

Contention one is economic growth

It will falter now

Walter 11/13—Wall Street Journal (Mathew, Global Economic Growth Seen Slowing, http://online.wsj.com/article/SB10001424127887324439804578115210316458402.html?mod=googlenews\_wsj, chm)

As emerging-market nations ease their rapid growth, the U.S. is best positioned to keep the global economy from an acute slowdown in 2013, a leading forecaster says. In its Global Economic Outlook, to be released Tuesday, the Conference Board projects that world economic growth will slow next year to 3% from 3.2% in 2012. The deceleration, which follows a 3.8% rate in 2011, reflects that emerging markets no longer are picking up the slack as the U.S. and Europe continue to "heal the scars" from their financial crises, according to the report. The best hope that this pessimistic scenario proves wrong, the Board's economists say, is a faster recovery in the U.S. "The only really short-term positive impact thatd we can have is that we can see a faster return of demand, particularly in the U.S.," said Bart van Ark, the Conference Board's chief economist. Given U.S. consumers' brighter outlook, he added, "the U.S. may be in better shape than many of the other mature economies." The Conference Board, a not-for-profit economic-research group, produces a number of economic indicators, including a monthly index of consumer confidence. The group's annual Global Economic Outlook predicts that the pace of U.S. growth will fall to 1.8% in 2013 from 2.1% in 2012, before firming to an average of 2.3% annually between 2013 and 2018.

The plan makes growth sustainable

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 plan is key to revitalize the economy

Peirce 11/11 (Neal, “Peirce: Can we soften future storm blows?”, 2012, http://www.denverpost.com/opinion/ci\_21958887/peirce-can-we-soften-future-storm-blows#ixzz2CJfCb21x, CMR)

But with rising global temperatures (both air and sea water), with huge and growing proportions of Americans choosing to live on our coastlines, usually in or near our major cities, is there really any other choice? And isn't it imperative to protect our overwhelmingly metropolitan area-focused national economy?¶ Hurricane Sandy's blow on New York represented a direct hit on lower Manhattan and Wall Street -- the epicenter of global finance, peopled with master financial planners. Yet with an irony: "Wall Street," notes infrastructure expert Michael Likosky, "continues to build Chinese, Middle East and North African, Indian and other nations' infrastructure, and pipelines. It needs to do more at home."¶ With a national infrastructure bank of the type endorsed by President Obama and many top fiscal experts, there'd also be a strong spur to attract big financial capital pools currently on the sidelines.

We solve for 3 reasons.

A. Poor transportation infrastructure hamstrings American 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.

B. the plan resolves the demand shortage

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)

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.

C. The NIB accesses a critical multiplier effect

Tyson, 11 --- professor at the Haas School of Business at UC Berkeley (6/3/2011, Laura D’Andrea Tyson, NYT Blogs, “The Virtues of Investing in Transportation; Economix,” Factiva, JMP)

Years of underinvesting in the nation's transportation infrastructure are apparent in congested roads, freight bottlenecks, airport delays and overcrowded or non-existent public transit operations. Yet the heated debate in Washington about how much and how fast to slash government spending is overlooking how a significant, sustained increase in infrastructure investment would create jobs and strengthen the nation's competitiveness. Infrastructure spending, adjusted for inflation and accounting for the depreciation of existing assets, is at about the same level it was in 1968, when the economy was one-third smaller. Public investment on transportation and water infrastructure as a share of gross domestic product has fallen steadily since the 1960s and now stands at 2.4 percent, compared with 5 percent in Europe and more than 9 percent in China. Experts differ on how much more is needed but agree the amount is substantial. The American Society of Civil Engineers, for example, estimates that we need to spend an additional $110 billion a year to maintain the transportation infrastructure at current performance levels. The Congressional Budget Office reported in May that simply maintaining the current performance of the system would require the federal government to increase its annual spending on highways by about one-third, while state and local governments that account for about 55 percent of capital spending on the highway system would have to increase their annual spending by similar or larger amounts. Financing highway projects whose economic benefits exceed their costs would necessitate more than a doubling of federal investment on highway infrastructure from its 2010 level of $43 billion. All these estimates apply only to shortfalls in economically justifiable spending on transportation and highways; they do not include other critical infrastructure areas, like water, energy and broadband. Government spending on infrastructure raises demand, creates jobs and increases the supply and growth potential of the economy over time. The C.B.O. says infrastructure spending is one of the most effective fiscal policies for increasing output and employment and one of the most cost-effective forms of government spending in terms of the number of jobs created per dollar of budgetary cost. Studies indicate that each $1 billion of infrastructure spending creates 11,000 (estimate of the President's Council of Economic Advisers) to 30,000 jobs (estimate of the Department of Transportation for infrastructure spending on highways) through direct and indirect effects. Most of these jobs are added in construction and related sectors, hard hit by the housing crisis, and most of them are relatively well paid, with wages between the 25th and the 75th percentile of the national wage distribution. Public infrastructure enables the private sector. A modern transportation infrastructure improves private-sector productivity by reducing production and transportation costs, and facilitating trade, economies of scale and efficient production methods. Not surprisingly, the quality of transportation infrastructure is a major factor affecting business decisions about where to locate production, and the eroding quality of infrastructure is making the United States a less attractive place to do business. According to the 2010-11 competitiveness report of the World Economic Forum, the United States now ranks 23rd among 139 countries on the overall quality of its infrastructure -- between Spain and Chile. In 1999, the United States ranked seventh. The Obama administration's budget request for $556 billion for the reauthorization of the surface transportation bill over the next six years is an important first step. But how the money is spent also matters. Because of political considerations, a large fraction of federal infrastructure spending currently finances projects aimed at building capacity rather than maintaining existing capacity. Yet recent evidence indicates both that the returns on projects to expand capacity have been falling over time and that projects to maintain capacity often enjoy higher returns. In a time of budget austerity, the allocation of scarce federal dollars for infrastructure must be guided by cost-benefit analysis -- rather than by earmarks and formula-based grants, as is currently the case. That's why the Obama administration is calling for the use of performance criteria and "race to the top" competition among state and local governments to allocate federal spending among competing projects. That's also why both the administration and a bipartisan group led by Senators John Kerry, Democrat of Massachusetts; Kay Bailey Hutchison, Republican of Texas, and Mark Warner, Democrat of Virginia, have proposed the creation of a national infrastructure bank. Such a bank would focus on transformative projects of national significance, like the creation of a high-speed rail system or the modernization of the air-traffic-control system. Such projects are neglected by the formula-driven processes now used to distribute federal infrastructure funds among states and regions. The bank would also provide greater certainty about the level of federal funds for multiyear projects by removing those decisions from the politically volatile annual appropriations process and would select projects based on transparent cost-benefit analysis by independent experts.

Economic decline increases the risk of war

Royal 10 — Jedidiah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, M.Phil. Candidate at the University of New South Wales, 2010 (“Economic Integration, Economic Signalling and the Problem of Economic Crises,” Economics of War and Peace: Economic, Legal and Political Perspectives, Edited by Ben Goldsmith and Jurgen Brauer, Published by Emerald Group Publishing, ISBN 0857240048, 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 states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow.

First, on the systemic level, Pollins (2008) advances Modelski 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. 1981) that leads to uncertainty about power balances, increasing the risk of miscalculation (Feaver, 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 are 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 [end page 213] 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. Blomberg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write,

The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends 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. (Blomberg & Hess, 2002. p. 89)

Economic decline has also been linked with an increase in the likelihood of terrorism (Blomberg, Hess, & Weerapana, 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), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that the tendency towards diversionary tactics are 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, recent 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 at systemic, dyadic and national levels.5 This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

This observation is not contradictory to other perspectives that link economic interdependence with a decrease in the likelihood of external conflict, such as those mentioned in the first paragraph of this chapter. [end page 214] Those studies tend to focus on dyadic interdependence instead of global interdependence and do not specifically consider the occurrence of and conditions created by economic crises. As such, the view presented here should be considered ancillary to those views.

Failure to maintain US growth will collapse hegemony and cause great power conflict

Khalilzad 11 — Zalmay Khalilzad, Counselor at the Center for Strategic and International Studies, served as the United States ambassador to Afghanistan, Iraq, and the United Nations during the presidency of George W. Bush, served as the director of policy planning at the Defense Department during the Presidency of George H.W. Bush, holds a Ph.D. from the University of Chicago, 2011 (“The Economy and National Security,” National Review, February 8th, Available Online at http://www.nationalreview.com/articles/print/259024, Accessed 02-08-2011)

¶ 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 internat ional 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.¶ Some 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

## 1AC P3 Space

**Advantage 2 is P3’s or Public Private Partnerships**

Support for EXPANDED P3s is high, but lack the necessary capacity – a national infrastructure bank serves as a critical model

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)

Support for partnerships goes deep into the benches of both parties. Senator orrin hatch (R-uT) has spoken of our country’s “belief in public-private partnerships that cost the government little and bring a high return on that investment.” 10 The mayor of New york city, michael Bloomberg, an independent, former governor ed Rendell (D-PA), and former governor Arnold Schwarzenegger (R-cA) formed the bipartisan Building America’s Future, a coalition of governors and mayors who support infrastructure partnerships. governor John hickenlooper (D-co) advocates public private partnerships that have “statewide support from stakeholders who understand the increased demand on our transportation system and the financial challenges we face” for moving projects forward. 11 even the conservative Americans for Prosperity is in favor of “implementing more public-private partnerships to build and expand roads.” 12 Koch Industries supports a range of partnerships, from road projects, 13 to biofuels, 14 to oil and gas. 15 likewise, David koch’s philanthropic investments to combat cancer helped establish the David h. Koch Institute for Integrative cancer Research at the Massachusetts Institute of Technology, which brings together “biologists, engineers, and others in the physical sciences” to address challenges. This innovative approach to problem-solving aims to influence federal-spending priorities, increasing National Institutes of health support for convergence-driven approaches in line with emerging federal trends supported by President obama and his administration more generally. 16 It points to the dynamism of public-private partnerships and how a culture of innovation, financing, and entrepreneurship can provide a safe harbor in a toxic political environment.

Thus, in a period of often immobilizing polarization, public-private partnerships offer a pragmatic way forward informed by an economic philosophy that does not fall neatly in line with political divisions or special interests. Government should seize these opportunities to serve as a catalyst for the identification of common goals and productive avenues that can bring all players together as a team and to promote a team spirit that will allow for constructive compromise when interests diverge and provide continuity across political seasons. But to be an effective player-coach for these public-private partnerships, public agencies must know both the rules of the game and how it is played.

Public-Private Partnerships In Practice

Although partnerships are a well-established way for politicians, businesspeople, and nonprofits of various stripes to work together, little attention has been paid to defining what public-private partnerships are, how they work in practice, and the distinct roles played by the federal government. At the center on law & Public Finance, we reviewed this approach across sectors, including commercial affairs both at home and abroad, and across historical periods dating back to America’s founding, paying particularly close attention to party commonalities and differences. We also did extensive surveys of partnerships involving foreign governments and international organizations. 17

Because partnerships are deployed across agencies and time and under a range of circumstances, most employ a multi-pronged strategy. our research revealed ten common features of public-private partnerships: 1. Coinvestment—The federal government coinvests alongside state and local governments, private firms, and nonprofits. 2. Cooperation—Public and private team members work together over the life of a project, from conception to planning, building, operating, and maintaining. 3. Collaboration—Cross-sector approaches are used to bust silos. 4. Maximization—Programs and projects are designed for high returns on federal investment. 5. Measurement—Project selection involves rigorous, analytical, metric-based processes.6. Competition—Federal support is awarded based upon competitive processes. 7. Innovation—Innovative approaches to research and development, design, and delivery are encouraged and rewarded. 8. Improvement—Existing programs are continually improved, and new programs are continually created. 9. Pragmatism—Problem-solving methods are applied. 10. Flexibility—Programs and projects adapt as circumstances demand, focusing on long-term problems while anticipating short-term results

Partnerships may incorporate a few or many of these features in different combinations as projects evolve

The central role of government in public-private

Partnerships is to identify public needs and facilitate private investment in those areas. By using modest sums as leverage, government—acting as player-coach— can recruit the right players for the team and elicit the best performance from each position. We found that government generally relies on seven financial tools to stimulate and target investment in public-private partnerships:

1. Matching grants 2. Guarantees 3. Loans 4. Insurance 5. Tax credits 6. Interest subsidies 7. Innovative bond vehicles

These federal tools are often used in conjunction with state and local instruments.

Government can also provide effective leadership through non-financial tools, much like when a player calls for the ball when there’s an open shot or a coach drafts a new player to the team who ups everyone’s performance, gives an inspiring halftime lockerroom pep talk, or orchestrates a successfully executed game plan. Federal agencies typically support public private undertakings in six primary ways:1. Promotion—Event planning, international networking, road shows, high-level advocacy, market access, opportunity identification, and video conferencing 2. Expertise—Expert advice, policy consultation, and security assistance 3. Information and analysis—Commentaries, databases, directories, guides, libraries, market profiles, and publications 4. Research and development—Feasibility studies 5. Education and training—Programs and materials6. Legal support—Legal assistance in ensuring compliance, dispute settlement arenas, and legislative advocacy overseas

Most agencies have at least one substantial public-private partnership program already in place, and a number of standalone entities devote themselves exclusively to this approach, but there is little systematic learning between programs. Honing the federal government’s ability to implement partnerships following a standard playbook will increase capacity across agencies to deliver beyond what are now often discrete programs and projects and help repurpose agencies to do more with less resources.

Extractives Partnerships

Both at home and abroad, the federal government uses public-private partnerships within the extractives sector to aid in the pursuit of oil, gas, metals, and minerals. These projects can be ambitious, involving many countries or state governments, as well as networks of private financiers, contractors, and subcontractors, and therefore exacting attention to planning, financing, construction, operation, and maintenance is often critical. Because extractives partnerships can last for decades, they must be resilient and oriented for the long term through careful contracting, with public agencies playing key roles throughout a project lifecycle, from the identification of an opportunity, to tendering, extraction, and distribution.

In the foreign context, our most active federal entities include the export-Import Bank of the united States (ex-Im) and the overseas Private Investment corporation (oPIc). Both promote US foreign-commercial policy aims by partnering with American firms on projects overseas. Support provided includes feasibility studies, loans, loan guarantees, insurance, and assistance for small businesses exporting key project components. Through their involvement in projects taking place in other countries, ex-Im and oPIc by extension partner with foreign government agencies and firms as well. The united States is also involved in the extractives sector through our relationships with international agencies and banks, such as the World Bank group’s International Finance corporation and multilateral Investment guarantee Agency, the African Development Bank, the Asian Development Bank, and the Inter-American Development Bank Domestically, a range of federal entities are actively engaged in extractives partnerships, including the Department of the Interior, the Department of energy, the Department of commerce, the occupational Safety and health Administration, and the environmental Protection Agency. Because these projects are often carried out by specific states and can involve distribution through multi-state pipelines, state agencies are key partners along with private firms. This sector carries implications for the global extractives market and can also have a heavy and far-flung impact on the environment, so the federal government is implicitly involved whenever and wherever extraction occurs within our borders, whether the partnership is formalized or not. Infrastructure and Clean-Energy Partnerships Public-private partnerships in the infrastructure and clean-energy sectors are a basic feature of our foreign and domestic affairs. like extractives partnerships, they are often complex, which demands careful contracting and close, coordinated attention through all project stages. The united States has been much more actively involved in infrastructure and clean-energy partnerships abroad than at home, participating through many of the same federal entities and international channels that connect us to the global extractives sector Domestically, we pursue infrastructure and clean-energy partnerships largely through federal agencies that operate only in specific areas. This silo approach does not allow for much cross-agency capacity building and knowledge sharing and limits our ability to leverage private participation to produce the greatest gain. examples of partnership programs in infrastructure and clean energy include the Department of Transportation’s Transportation Infrastructure Finance and Innovation Act program for roads and other transportation projects as well as the Department of energy’s 1603, 1703, 1705, and ATvm (Advanced Technology vehicles manufacturing) programs geared to clean-energy production. likewise, our National Broadband Plan, administered by the Federal communications commission, is partnership-driven. Partnerships play a part in biorefineries programs administered by the Department of Agriculture, are utilized by the Department of commerce in its carrying out of the America Competes (creating opportunities to meaningfully Promote excellence in Technology, education, and Science) Act, which supports infrastructure investment in science parks, and are involved in the infrastructure aspects of a number of Regional Innovative cluster initiatives spearheaded by the Small Business Administration, the Department of Defense, the Department of Agriculture, and the Department of energy. Some of our infrastructure and clean-energy partnerships are interagency efforts, with perhaps the most ambitious being the National export Initiative, which President obama established with the aims of doubling uS exports in the next five years and adding two million American jobs. This initiative involves the Departments of Agriculture, commerce, labor, State, and the Treasury. The office of management and Budget, the office of the uS Trade Representative, the Assistant to the President for economic Policy and Director of the National economic council, the National Security Advisor, the council of economic Advisers, ex-Im, oPIc, the Small Business Administration, and the uS Trade and Development Agency are all actively coordinating in this effort. As with other major partnerships, the National export Initiative is an attempt to leverage the federal government’s ability to work across agencies, with state and local governments, and with the private sector to advance the public interest. Specialized Partnerships A number of modest but important interagency initiatives have been established to break down silos and address pressing challenges with modest federal resources. one of the most significant, the healthy Food Financing Initiative, is spearheaded by First lady michelle obama. Although it is smaller than many partnership programs, this initiative is a model program with its carefully defined public purpose, high leveraging ratios, cooperative approach, and attention to impact upon beneficiaries. It mobilizes the resources of the Departments of Agriculture and the Treasury and works closely with state and local governments and also the private sector to catalyze investments in grocery stores, small businesses, and communities within economically distressed areas in order to eliminate food “deserts” where there is no fresh produce or healthy affordable food available. Another effort, the Partnership for Sustainable communities, led by the housing and urban Development Agency, the Department of Transportation, and the environmental Protection Agency, aims to make “development, housing, energy, and transportation policy go hand in hand.” 18 Dr. Jill Biden, the wife of vice President Joe Biden, is spearheading the Strengthening our military Families campaign, a joint effort by the Departments of Agriculture, Defense, education, health and human Services, labor, and commerce to promote career opportunities for uS veterans and increase childcare options for military families. Some independent federal entities devote themselves to partnership-driven approaches. For instance, obama recently brought the Administrative conference of the united States back from its long hiatus, re-christening it as “a public-private partnership designed to make government work better” 19 by improving administrative processes on a consensus, non-partisan basis drawing from government, the private sector, and academia. other freestanding initiatives include the council of governors, which works with the president to fashion responsive, innovative solutions to challenges faced by states, and the Advisory council on Faith-Based and Neighborhood Partnerships, which aims to ensure that government and local communities benefit from the resources of faith-based entities. Within agencies, many partnership initiatives address domestic and international challenges. The commerce Department aggressively deploys partnerships both domestically and internationally through its Trade Information center, manufacturing and Services unit, uS commercial Service, and Buy uSA program. The Department of education’s Race to the Top Fund is a partnership program designed to harness privatesector and nonprofit energy, capacity, and commitment to address seemingly intractable inequalities within the k-12 sector. Structured differently, No child left Behind is an education-partnership model put into practice during george W. Bush’s presidency. Within the State Department, which itself has many partnership programs, including the Foreign military Financing and Direct commercial Sales programs, a global Partnership initiative has been established to bring the skills and expertise of private firms and nonprofits to bear on international development efforts. The Defense Department has also been a central player within partnership approaches, from its participation in the creation of the Internet to the Defense Security cooperation Agency’s Foreign military Sales program. Similarly, the Department of Agriculture has its commodity credit corporation and also the Foreign Agricultural Service. Key Challenges And Recommendations Given the increasing utilization of public-private partnerships to address pressing problems while weathering a long-term budgetary crisis, it is productive to focus attention on making them work better. We see three key recurring challenges for our federal agencies as they implement and refine partnerships: 1. Increase Capacity to Assess, Structure, and Oversee Projects Because partnership programs engender a shift in the role and function of government and introduce complex financial and contractual instruments, public agencies often lack the capacity to assess, structure, and oversee projects. To realize the full benefits of public-private partnerships, this capacity must be put in place across the federal government. 2. Improve Interagency Coordination Many of our most pressing economic and societal challenges require policy solutions that integrate a range of sectors, including water, transportation, and energy. however, our federal agencies typically operate in sector-based silos, which often leads to uncoordinated sector-specific policies that only aggravate existing problems. To maximize the efficiencies offered by public-private partnerships, there must be increased knowledge sharing and coordination among agencies. 3. Improve Relations Between Federal Agencies and State and Local Governments, Private Firms, and Nonprofits Projects can stall because a partner cannot withstand criticism or else digs in its heels or because of a lack of adequate funds. For public-private partnerships to be viable over the long term, agencies must act as playercoach to coalesce combatants as a team, recognize the unique contributions of each player, and explore solutions that leverage non-financial resources to make public budgets stretch further. To increase the partnerships capacity of public agencies and prepare them for their roles as playercoaches, we make the following institution-building recommendations: 1. Cross-Agency Review and Identification of Best Practices A survey and assessment of the existing landscape should be performed to identify lessons learned that can serve as a baseline for modeling partnership programs. This review should look not only at domestic programs but also at those overseas. 2. Best Practices Pool Once a baseline is established, a best practices pool should be created to serve as a repository of knowledge and expertise on partnerships, including candid advice to public officials on financing and contracting and interfacing with state and local governments as well as private firms and nonprofits. This pool must be created in-house to protect the broad player-coach perspective of public agencies from the self-serving viewpoints of individual players. 3. Portfolio-Based Approach To ensure that the partnership tools and practices that agencies choose to implement are appropriate to the task at hand and lead to positive outcomes, the federal government should establish a portfolio-based approach to its public-private partnerships that will allow for assessment of the impact of projects on beneficiaries, both project by project and as a whole. Attention must be paid not only to how partnerships fit with one another but also to how they relate to nonpartnership-based initiatives.

National Infrastructure Bank

The success of public-private partnerships—and we argue, of America’s economic recovery and revitalization—will hinge on the federal government’s ability to leverage sizeable sums of private capital for effective investment in public infrastructure and to meet the key partnership challenges outlined in this report. A National Infrastructure Bank would provide the requisite capacity to finance, contract, and oversee complex, large-scale projects on an individual basis and as part of a broad portfolio.

As an independent entity not sitting under a specific federal agency, a National Infrastructure Bank would be able to make decisions based upon the merits of proposals rather than politics. Its independence would allow the bank to survive transitions in political leadership at the federal, state, and local levels, essential for ensuring that partnership projects, which can run for decades, are durable. To remain attuned to the underlying public needs that drive shifts within leadership, the bank’s governance should incorporate the participation of board members recommended by both parties.

P3s key to lowering the cost of space exploration – they fill in gaps in government 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.

Low cost orbital access solves extinction

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.

Technology and cost barriers are insubstantial

Zubrin 11 6/28/2011 – president of pioneer Astronautics and the founder of the Mars Society, former senior engineer at Lockheed Martin Astronautics, master’s degree in aeronautics and astronautics and a Ph.D. in nuclear engineering (“The Case For Mars: The plan to settle the red planet and why we must”, Revised June 28, 2011, pg.1-2 )//DT

Some have said that a human mission to Mars is a venture for the far future, a task for the "next generation." On the contrary, we have in hand all the technologies required for undertaking within a decade an aggres¬sive, continuing program of human Mars exploration, we can reach the Red Planet with relatively small spacecraft launched directly to Mars by boosters embodying the same technology that carried astronauts to the Moon more than forty years ago. How can this be? Looking at almost any plan for a human mission to Mars, be it from the 1950s or the 1990s, we see enormous spaceships hauling to Mars all the supplies and propellant required for a mission. The size of the spacecraft demands that they be assembled in Earth orbit—they're simply too large to launch from the Earth's surface in one piece. This requires that a virtual parallel universe of gigantic orbiting 'dry docks." hangars, cryogenic fuel depots, power stations, checkout points, and construction crew habitation shacks be placed in orbit to enable assembly of the spaceships and storage of the vast quantities of propellant. Based upon such concepts, it has been endlessly repeated that a mission to Mars would have to cost hundreds of billions ol dol¬lars and incorporate technologies that won’t be available for another thirty years. Yet landing humans on Mars requires neither miraculous new technologies nor the expenditure of vast sums of money. We don't need to build Battlestar Galatica-like futuristic spaceships to go to Mars. Rather, we simply need to use some common sense and employ technologies we have at hand now to travel light and live off the land, just as was done by nearly every successful program of terrestrial explora¬tion undertaken in the past. Living off the land—intelligent use of local resources—is not just the way the West was won; it's the way the Earth was won, and its also the way Mars can be won. The conventional Mars mission plans are impossibly huge and expensive because they attempt to take all the materials needed for a two- to three-year round trip Mars mission with them from Earth. But if these consumables can be pro¬duced on Mars instead, the story changes, radically.

## 1AC Plan

Plan: The United States federal government should substantially increase its transportation infrastructure capital expenditures in the United States through a national infrastructure bank.

## 1AC Solvency

The status quo is insufficient—improving our transportation infrastructure is key

Miller, Costa and Cooper 9/5—Senior Fellow with the Economic Policy team, Kristina Costa is a Research Assistant in Economic Policy, and Keith Miller is an intern with the Economic Policy team at the Center for American Progress. (Donna, Kristina, and Keith, “Creating a National Infrastructure Bank and Infrastructure Planning Council How Better Planning and Financing Options Can Fix Our Infrastructure and Improve Economic Competitiveness”, http://www.americanprogress.org/issues/economy/report/2012/09/05/36409/creating-a-national-infrastructure-bank-and-infrastructure-planning-council/ , chm)

Infrastructure forms the foundation of the U.S. economy. Without highways, power grids, railroads, dams, levees, and water systems, businesses could not transport their goods, homes would be without electricity or drinkable water, parents could not get their kids to school, and the United States would cease to be a world leader in productivity and innovation. But despite our infrastructure’s clear indispensability, decades of negligence and underinvestment have allowed much of it to fall into a shameful state of disrepair. Inefficiencies in our infrastructure affect all aspects of American life. Commuters on our highways now lose more than $100 billion every year in time spent and fuel burned due to ever-increasing congestion on their way to and from work. U.S. ports are struggling to handle increased ship sizes and cargo volumes. Lock systems on inland waterways are crumbling, causing tens of thousands of hours of delays every year. And leaking pipes lose an estimated 7 billion gallons of clean drinking water every day. Together, these failures jeopardize public health, contribute to environmental degradation, and make American businesses less competitive, forcing them to pass additional costs on to consumers. At the same time, our closest competitors have dramatically stepped up their investment in infrastructure and adopted ambitious plans for additional development. The United States fell to 24th place in overall infrastructure, down from ninth in 2008, according to a 2011 annual survey conducted by the World Economic Forum. What’s worse, under current levels of investment, this ranking will likely only continue to fall. A recent Center for American Progress report on America’s infrastructure funding gap estimated that the federal government is underinvesting in infrastructure by approximately $48 billion per year, assuming a goal of adequately maintaining existing infrastructure and preparing for projected economic and population growth. But our situation is not hopeless. By coupling increased investment with a number of commonsense reforms, the United States could make great progress toward bringing its infrastructure up to modern standards. The establishment of both a national infrastructure bank and a national infrastructure planning council represents an innovative and promising way in which we could finance and plan infrastructure projects. That is the subject of this report. By establishing a centralized federal lending authority in the form of an infrastructure bank, the United States could: Increase public investment in infrastructure Leverage billions in additional private investment Streamline existing federal lending initiatives Increase the share of federal money that flows to projects meeting rigorous cost-benefit criteria With a relatively modest investment, the federal government could enable the completion of numerous large-scale projects of critical economic importance throughout our country, potentially producing thousands of jobs in the process. Forming a national infrastructure planning council would also help better coordinate federal investments in infrastructure. This would go a long way toward resolving the siloed decision-making process that currently prevents crucial project integration and encourages inefficient spending across government agencies, as each agency attempts to independently address single components of a complex, interdependent infrastructure system. Better coordination would allow the United States to finally develop a comprehensive national infrastructure plan on par with those implemented by both industrialized and developing nations, while also encouraging the adoption of the best investment and planning practices at all levels. Congress and the Obama administration should be praised for taking a significant step toward better investment coordination and improved due diligence by expanding the Department of Transportation’s Transportation Infrastructure Finance and Innovation program, included in the recently passed Moving Ahead for Progress in the 21st Century Act. Increasing this program’s funding from $122 million in fiscal year 2012 (which began in October 2011) to a combined $1.7 billion for FY 2013 through FY 2014 will help it achieve a considerably greater impact. The program provides low-interest loans, loan guarantees, and lines of credit to public and private investors undertaking large-scale surface transportation projects. Although the program’s limited surface-transportation-only focus and known funding horizon of only two years means it alone cannot shoulder the burden of America’s infrastructure needs, the designers of any future infrastructure bank should look to this program as an example of how to successfully operate a federal infrastructure lending initiative. This report will detail the need for both a national infrastructure bank and a planning council, explain how they each would work, and examine how they would address the specific failings of our current system of infrastructure investment. We will consider existing policy proposals for creating an infrastructure bank and will note which facets of these plans still require significant attention from policymakers. Finally, we will put forward a number of suggestions for immediate action to lay the groundwork for a national infrastructure bank and an infrastructure planning council. The United States simply cannot wait any longer to address our crumbling infrastructure. If we take action now to better plan, finance, and coordinate critical investments in our national infrastructure, we can ensure continued prosperity for future generations, while immediately helping the American economy get back on its feet.

Status quo investment also fails—the plan is key—here is a description of our bank

Staley, PhD, 10—senior research fellow at Reason Foundation and associate director of the DeVoe L. Moore Center at Florida State University in Tallahassee where he teaches graduate and undergraduate courses in urban planning, regulation, and urban economics, was director of urban growth and land-use policy for Reason Foundation where he helped establish its urban policy program in 1997. Staley received his B.A. in Economics and Public Policy from Colby College, M.S. in Social and Applied Economics from Wright State University, and Ph.D. in Public Administration, with concentrations in urban planning and public finance from Ohio State University. (Samuel, A National Infrastructure Bank Can Provide Important Benefits If Mission and Scope Are Defined Narrowly”, http://reason.org/news/show/infrastructure-bank-testimony, chm)

We are at a crossroads on how to fund long-term investments in the nation's roads, bridges, ports, airports, water, sewer, and other infrastructure. Our growing metropolitan areas need significant investments in major physical infrastructure, whether a toll tunnel in Atlanta, freight rail modernization in Chicago, or the expansion of port capacity in Los Angeles. Many of our older metropolitan areas need to upgrade or retrofit existing infrastructure at levels that require hundreds of millions of dollars. An infrastructure bank, if properly defined and implemented, can provide a meaningful role in meeting these needs. However, a NIB may also side track important national priorities and undermine economic competitiveness if its mission and programs are not properly defined and implemented. My testimony will focus on the characteristics and criteria necessary for ensuring an infrastructure bank works effectively and avoids the inefficiencies inherent in a politicized funding environment. My testimony today will focus largely on the implications of a NIB on transportation infrastructure, but I think these comments are equally applicable to other forms of infrastructure including water, sewer, stormwater management and other utilities. What is an Infrastructure Bank? In an ideal world, the private sector would be able to identify water, sewer, utility, roads, bridges, and other physical infrastructure projects necessary to meet key community need, tap private capital markets to finance them, and fund them through market-based user fees. In practice, this approach has been outside the U.S. framework for funding and financing core infrastructure although the extensive use of public-private partnerships in other countries (e.g., China, Australia, France, and elsewhere) have brought many countries closer to a market-driven environment. Instead, we have relied on a system of government grants and ad hoc funding measures to bridge an increasingly large infrastructure funding gap. In the absence of effective markets for large, capital intensive projects, infrastructure banks have stepped in an attempt to fill some of this gap. The question now before the U.S. Congress is whether the nation needs to create a national infrastructure bank to take us a step closer to meeting our core public service needs and adopt new ways of thinking about and financing these projects. Serious proposals for some form of a national infrastructure bank emerged midway through the last decade as the gap between infrastructure needs and revenues became increasingly obvious. Current audits of the nation's roadways alone suggest our annual spending falls about $27 billion short of funding levels needed to simply keep our existing transportation network in a state of good repair. While the nation's current transportation funding system has a source of revenue-the federal gas tax-for the short-term, a porous political process and rigid distribution formulas too often misallocate funding away from key projects. (The last transportation bill, for example, included thousands of discretionary earmarks.) Government budgeting hampers strategic decisionmaking since funding for long-term projects is contingent on annual revenue distributions. Thus, a long-term capacity need may not be met because in any given year annual revenues might not be sufficient to finance the project. This is a problem endemic at the state level as well as the national level, as the public concern over lagging reauthorization of federal transportation funding showed at the end of 2009. A national infrastructure bank could provide an objective and transparent framework for filling the large gaps in the nation's physical infrastructure as long as its mission is defined narrowly and decisions on infrastructure investments are politically independent and transparent. In theory, a NIB would allow infrastructure decisions to be made in an environment more closely resembling a private sector bank since it is more suitable to matching investments with long-term rates of return and other benefits. The key is to provide a rigorous framework for attempts to allocate increasingly scarce federal funds to their highest, best, and most productive use based on objective assessments of potential public benefits against costs. If an infrastructure bank, however, is used to simply consolidate existing grant programs, these benefits are not likely to materialize. By their nature, loans to public and private customers are based on expectations of paying the bank back. They include assessments of uncertainty and risk that balance the costs of providing capital to fund long-term investments. In principle, these revenues should become part of a "revolving" fund, in which revenues from previous loans are used to underwrite future investments. At least in principle, physical infrastructure projects lend themselves to this type of financing because they provide long-term benefits, assets can be depreciated over long-periods of time, and their values remain relatively stable. The key is to ensure that a sustainable and stable revenue stream is tied to the project to finance the loan. In many countries, these revenues are tied to user fees (e.g., tolls, water usage fees, wastewater volume, etc.) or explicit commitments of future tax revenue to paying off the bonds used to pay for the facilities. On the local level, user fees are common for water and sewer systems in the U.S. Tolls on the other hand, are a very small source of funds for U.S. roads despite their widespread use in nations ranging from China to France. Nevertheless, their potential to become a significant source of funds in U.S. urban areas is substantial. Of course, debt is not a substitute for revenue; it merely changes the timing of revenue payments allowing large amounts borrowed up front to finance a bridge, road, or sewer plant to be spread out over the economic life of the facility. In the case of highways, tunnels, and bridges, the typical economic "life" of a project or asset typically extends to 50 years or more. Water, sewer and other public-health infrastructure may have shorter life spans depending on advances in technology and changing health (and environmental) standards. Grants, in contrast, work on fundamentally different principles. A grant reflects a one-time payment without an expectation of repayment. Grants often carry more risk to the taxpayer and government because once the funds are dispersed they are difficult to reclaim if the project fails. Grants, for example, do not have revenue streams tied to the project since the nature of the grant is to provide free and clear funding without future financial obligations. While an infrastructure bank might have responsibilities for making grants of some types, grants are not loans and should not be confused with the fundamental nature and character of a bank which is to incur debt and loan funds to underwrite the construction and sometimes maintenance of infrastructure facilities. Thus, a national infrastructure bank should be thought of primarily as a lender of public funds, not a grant maker. To the extent that a national infrastructure bank might include grant making responsibilities, explicit rules and regulations should be adopted that recognize the fundamental differences between the financing instruments, the criteria needed to evaluate proposals, and evaluating the projects receiving the funds. And whenever possible, grants should be tied to loans to provide a greater level of accountability for the projects. Fundamentally, however, a NIB should be constituted to issue debt, not grants, and use the proceeds from these loans to underwrite capital projects.

Federal action is critical to stimulate the economy and overcome problems that devastate status quo infrastructure projects — action now is key

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 gobal 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.

Our mechanism is good

Staley, PhD, 10—senior research fellow at Reason Foundation and associate director of the DeVoe L. Moore Center at Florida State University in Tallahassee where he teaches graduate and undergraduate courses in urban planning, regulation, and urban economics, was director of urban growth and land-use policy for Reason Foundation where he helped establish its urban policy program in 1997. Staley received his B.A. in Economics and Public Policy from Colby College, M.S. in Social and Applied Economics from Wright State University, and Ph.D. in Public Administration, with concentrations in urban planning and public finance from Ohio State University. (Samuel, A National Infrastructure Bank Can Provide Important Benefits If Mission and Scope Are Defined Narrowly”, http://reason.org/news/show/infrastructure-bank-testimony, chm)

Potential Benefits of an Infrastructure Bank

A well structured infrastructure bank could have several potential advantages over the current system if structured properly and its scope sufficiently narrow to avoid political abuse and mismanagement. Potential benefits include;

Gap financing. The raison d'être of a government loan is to make up the difference between existing revenues and the amount required to underwrite the project. When the private sector is either unwilling or unable to fund a project and the project has significant public benefits-it is a "public good" in the terms of economists-public financing might be justified. Indeed, if financing can be obtained from the private sector (and the U.S. has yet to tap much of the private capital available for infrastructure investments), no compelling reason exists for putting taxpayers at risk. At times, public funding can be useful to bridge the period between funding the construction of facility and the time revenues come on line (e.g., a toll road or bridge).

Transparency. Loans could be made (and debt issued) through a consolidated entity, avoiding the "alphabet soup" of agencies and programs that currently provide funds through a diverse array of government departments. By consolidating national loan programs, loan (and grant) success and failure can be tracked and coordinated more easily. This facilitates audits of project performance as well as providing public accountability. Efficiencies might also be achieved by consolidating different loan programs for different types of infrastructure under one entity so that financing staff and expertise can be shared among organizations. However, there are limits to this type of aggregation when projects are sufficiently diverse to warrant different evaluative procedures. The decision to consolidate programs must be made carefully.

Accelerated funding. A key goal of an NIB would also be to more effectively align funding with project benefits (and revenues). Banks are able to make decisions that span decades because they have a long-term focus. Their decisions also tend to be more strategic than focused on more temporary conditions. Currently, most governments allocate funds to specific projects on an annual basis. In some cases, state governments have established five- or ten-year infrastructure plans, but this planning fails to adequately capture the need to finance and manage projects that extend over decades. Project commitments are driven by annual budget decisions and limited by current-year tax revenues. As a result, projects can be assessed and approved more efficiently in a bank-like setting, allowing state and local governments to commit to long-term projects more quickly based on expectations of future revenue (either through user fees or tax revenues).

Improved strategic decisionmaking. By adopting performance criteria for loans, whether rate of return or objective measurements of public benefits, an infrastructure bank might help maximize public benefits. Loans have an inherent advantage over grants in that a "willingness to pay" criteria helps ensure benefits are aligned with costs. This is the case with true user fees, such as tolls or water rates that are priced to reflect the actual costs of using the facility. For toll roads, for example, the willingness of drivers to pay a toll is essential for securing the loans necessary to build the facility. Risk is not eliminated, but user based pricing allows state agencies and private companies to gauge the priority and importance of different projects based on the response of users. Unless the public (through taxation) or customers (through user fees) are willing to cover the costs of the loan (borrowing plus debt service), the project may not be justified or qualify for funding through a NIB because the users are simply not willing to pay for the projects-although there may be public benefits that still justify funding the project.

Diversifying revenue streams. Since a primary criterion for making loans involves ensuring a revenue stream exists to pay the loan back, a NIB can encourage state and local governments to identify and implement more diversified revenue streams. As a practical matter, this would include tolls for roads and bridges or quantity-based usage fees for water and sewer systems. Because user fees tie costs to specific benefits, they can be both practical and sustainable alternatives for raising revenue compared to general taxes (which also often have sunset provisions).

Plan solves and avoids their turns

Staley, PhD, 10—senior research fellow at Reason Foundation and associate director of the DeVoe L. Moore Center at Florida State University in Tallahassee where he teaches graduate and undergraduate courses in urban planning, regulation, and urban economics, was director of urban growth and land-use policy for Reason Foundation where he helped establish its urban policy program in 1997. Staley received his B.A. in Economics and Public Policy from Colby College, M.S. in Social and Applied Economics from Wright State University, and Ph.D. in Public Administration, with concentrations in urban planning and public finance from Ohio State University. (Samuel, A National Infrastructure Bank Can Provide Important Benefits If Mission and Scope Are Defined Narrowly”, http://reason.org/news/show/infrastructure-bank-testimony, chm)

Characteristics of a High-Performing Infrastructure Bank

If a national infrastructure bank were established by Congress, what would its fundamental characteristics look like?

Independence. Infrastructure banks must be as insulated as possible from political manipulation to be effective. This requires a management structure that is independent of the day-to-day policy concerns of Congress and the White House and a management structure that is focused on a bottom line with a clear bottom line to judge success and failure. In practice this will be very difficult to achieve, but it should still be an important goal.

Objective loan criteria. Bank viability is rooted in sound loan management, and the same criteria should be applied to government funded infrastructure banks. In the cases where user fees are not fully capable of covering the costs of the loan, performance criteria must be tied to the loan agreement to ensure public benefits are maximized. Moreover, these benefits must be measurable, directly tied to the project, and objectively evaluated. For example, a new road should significantly improve travel times, increase mobility or reduce congestion. A new water treatment plant should improve public-health outcomes. In contrast, general social goals and planning objectives such as improving "livability" or "enhance quality of life" are difficult to measure and evaluate, leading to inefficiency and ineffective grant making.

Well-defined mission. The infrastructure bank should not be seen as a catch all for funding for public projects. The bank should have a clearly defined mission that constrains the types of loans and grants it can make. The NIB should not be considered a source of "free" money, or become a slush fund for favored projects. A NIB should be limited to making loans for bona fide physical infrastructure projects, and these projects should have measurable outcomes tied to them.

Well-defined federal role. In the case of a national infrastructure bank, projects must have a clear federal priority and justification, either because the project is of national importance or the project involves interstate or international cooperation beyond the scope of state and local governments.

Loans are restricted to capital projects. A fundamental principle of public and private finance is that debt should not be issued to cover ongoing operations and maintenance. Stable, steady revenues should be used to offset these expenses. Loans and their associated debt are used to finance long-term capital projects.

Loans require sustainable revenue sources. All projects selected for funding should have sustainable revenues sources to ensure the loan will be paid back in a timely way. As mentioned earlier, these revenue sources could include dedicated tax revenues although user fees would probably provide a more reliable, stable, and sustainable source. This is crucial for sustaining a NIB since it also protects the viability of the revolving loan function of the bank.

Many of these criteria are summarized in the table below .

Unfortunately, the current infrastructure bank proposals before the Congress fall short on many of these criteria. The most detailed proposal, H.R. 2521, the "National Infrastructure Development Bank Act of 2009," envisions a complex and diffused management structure that includes 9 executive officers appointed, fired, and compensated by a five member Board appointed by the President of the United States (with the advice and consent of the Senate). The Board also appoints two standing committees that include four additional members each to a Risk Management and separate Audit Committee. The criteria for qualifying loans are extremely porous, including criteria that are more appropriately classified as social goals. Presumably projects that meet these social goals, which include workforce training, reducing poverty, job creation, and Smart Growth, would qualify for funding even if they do not provide adequate or efficient physical infrastructure. Indeed, these goals have little application to providing efficient or productive infrastructure, reflecting political considerations and policy tradeoffs.

The White House's proposal to create a National Infrastructure Innovation and Finance Fund (I-Fund) is less well developed, so specific comments on its operation, mission, and potential programs are speculative at best. For example, it's unclear how nesting the I-Fund in the US DOT will create the independence necessary to follow through on a rigorous and objective analytical process, or what criteria will be used to determine the merits of varying infrastructure projects. The primary objective of the I-Fund appears to be consolidating federal programs that fund various forms of infrastructure (breaking down "silos"). While consolidation may have value, a national infrastructure bank would need to have clear criteria for assessing risk and the potential rate of return for investments in different projects. In fact, one possible outcome of consolidating federal funding programs might be less accountability, as a rigorous evaluation of investments in different infrastructure projects becomes difficult to assess without clear objectives or performance criteria.

Conclusions

On the surface, the creation of a national infrastructure bank is an attractive option for the federal government. The possibility of consolidating programs, putting government loan programs on a more objective basis for evaluating performance, and streamlining the approval process for key infrastructure facilities holds promise.

These potential benefits must be balanced with a clear understanding of the limits of infrastructure banks and the forces that could lead to even more inefficiency and political manipulation. Infrastructure banks work best when they have a clear, focused mission, their operations focus on loans, and transparent performance criteria allow their operations to be monitored, evaluated, and held accountable.

Thank you for your attention and this opportunity to address the Subcommittee on this important national issue.

Transportation only avoids their turns

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.

The federal government is key for four reasons

Miller, Costa and Cooper 9/5—Senior Fellow with the Economic Policy team, Kristina Costa is a Research Assistant in Economic Policy, and Keith Miller is an intern with the Economic Policy team at the Center for American Progress. (Donna, Kristina, and Keith, “Creating a National Infrastructure Bank and Infrastructure Planning Council How Better Planning and Financing Options Can Fix Our Infrastructure and Improve Economic Competitiveness”, http://www.americanprogress.org/issues/economy/report/2012/09/05/36409/creating-a-national-infrastructure-bank-and-infrastructure-planning-council/ , chm)

The need for an infrastructure bank and planning council The overwhelming scale of the challenges facing U.S. infrastructure cannot be adequately addressed by individual state and local efforts or piecemeal federal support. Our myriad overlapping and competing funding streams, programs, and initiatives have repeatedly proven to be inadequate, and the need for central entities to plan, coordinate, and finance projects of national importance could not be more apparent. In this section, we examine the four greatest failings of our current infrastructure investment system and illustrate their detrimental effect on the U.S. economy: • Failure to provide sufficient public funds • Failure to attract private investment • Failure to coordinate investments • Failure to allocate funds efficiently Let’s examine each of these failures in turn. Failure to provide sufficient public funds Despite a large number of independent funding streams and initiatives for infrastructure development already in the federal government, the United States is failing—by a large margin—to adequately invest in its infrastructure. These existing funding streams include multiple federal loan programs, a far greater number of grant opportunities, and many additional layers of programs at the state and local level. A recent Center for American Progress report estimated that bringing America’s infrastructure into a state of good repair and adequately preparing it for projected growth would require the federal government to invest at least an additional $48 billion per year on top of current infrastructure spending levels, which in FY 2010 totaled roughly $92 billion in grants, credit subsidies, and tax expenditures.5 5 Center for American Progress | Creating a National Infrastructure Bank and Infrastructure Planning Council Even then, this spending could only be considered sufficient if it triggered $11 billion annually in additional state spending and was accompanied by a $10 billion increase in annual federal loan authority. The United States is simply not investing enough to repair and maintain our most critical infrastructure, let alone expand and upgrade it to enable future economic growth. This lack of sufficient funding and political will means we are not only underfunding local water-treatment systems and roadway investments but also perpetually neglecting large-scale regional projects. Such cross-state “megaprojects” have the potential to produce massive economic returns but frequently go unfunded or unconsidered because they are simply too large for states, localities, or limited federal programs to finance. While the Transportation Infrastructure Finance and Innovation program and similar initiatives may seek to support large-scale undertakings, it simply does not have the funds to provide the level of capital required for such megaprojects and is generally limited to funding projects that fall into a specific sector—such as surface transportation—instead of integrated, cross-sector proposals. This problem is evident, for example, in ongoing efforts to replace the functionally obsolete Brent Spence Bridge that connects Cincinnati, Ohio, with Covington, Kentucky, carrying traffic from two large interstate highways across the Ohio River. Despite its critical importance to regional commerce and the economic vitality of both cities, project planners have not been able to find a funding source for the $2.4 billion needed to begin work.6 Even with combinations of grants, municipal bonds, and private investment, such projects often require an additional source of funding to make it out of the concept stage.7 Currently this source of funding does not exist, which means the very projects that hold the greatest potential to spur lasting economic growth are the most frequently abandoned. These problems are further compounded by a congressional appropriations process that allocates some infrastructure funds on a year-to-year basis and legislators who are sometimes reluctant to commit resources over the longer time frames required to complete most infrastructure projects. The recently passed Moving Ahead for Progress in the 21st Century Act surface-transportation bill provides program allocations for only two years—well short of the five-year timeframe of most of its predecessors. This leaves states, localities, and private investors struggling to make long-term plans under the uncertainty of future federal support. Additionally, this annual appropriations process can encourage state and local policymakers to delay necessary projects in the hope of securing federal funding The United States is simply not investing enough to repair and maintain our most critical infrastructure, let alone expand and upgrade it to enable future economic growth. 6 Center for American Progress | Creating a National Infrastructure Bank and Infrastructure Planning Council in the next election cycle, both delaying benefits and potentially increasing costs, as required repairs become more significant.8 Failure to attract private investment Private investors can be valuable and innovative partners in maintaining and modernizing critical infrastructure. Our current system of financing, however, has often failed in its attempts to forge viable partnerships with private investors. While the traditional American method of attracting private capital by offering tax-exempt municipal bonds has been successful in many instances and will remain a valuable tool for infrastructure investment, it often leaves many large potential investors sitting on the sidelines. The reason: These groups are either already exempt from taxes, as in the case of pension funds, or have no state tax liability to begin with, as is the case with international investors. These characteristics have historically made tax-exempt bonds far less attractive to these groups, resulting in extremely limited purchases. In the wake of the Great Recession of 2007–2009, however, many of these institutional investors now say they are eager to diversify their portfolios by investing in infrastructure. The California Public Employees’ Retirement System, for example, has already allotted $4 billion to be invested in U.S. infrastructure projects over the next three years.9 The success of so-called Build America Bonds has demonstrated that alternatives to traditional municipal bonds can have success in attracting pension funds and international investors. The program, initiated in 2009, issued an estimated $117 billion in taxable state and local bonds for which the federal government directly subsidized a portion of the interest costs.10 This made the bonds significantly more attractive to private investors, eliminating inefficiencies in the system of federal bond subsidization that cost the federal government billions of dollars every year.11 Unfortunately, the program was allowed to expire in 2010 and has not yet been renewed. Public-private partnerships offer shareholders a direct stake in projects, and the potential for greater returns are also extremely attractive to these types of private investors. Unfortunately, states and the federal government have not yet fully taken advantage of these new types of investment vehicles. While 25 states have passed legislation expressly aimed at encouraging public-private partnerships, relatively few projects have actually been launched.12 7 Center for American Progress | Creating a National Infrastructure Bank and Infrastructure Planning Council This is largely because our infrastructure financing system lacks the experience and tools to quickly identify viable investment opportunities and match private investors with public partners. Without improved coordination, transparency, and financial assistance, billions of dollars more in potential investment may go unrealized despite the existence of numerous willing investors. In contrast, Europe has a fully functioning infrastructure finance program up and running. (see box) While the United States struggles to develop a national infrastructure investment plan, the European Union has been operating a transnational, publically chartered infrastructure bank for longer than half a century. Founded in 1957, the European Investment Bank funds critical projects throughout Europe and in developing nations worldwide to the tune of tens of billions of dollars every year. The bank is capitalized by funds from its 27 member states but also raises a large portion of its capital from issuing bonds. These funds are used to offer low-interest, long-term loans to both public and private entities, as well as loan guarantees and technical assistance. The bank is able to offer such attractive rates because it is large, nonprofit, has a AAA credit rating, and is fully backed by member governments.13 In 2010 the bank loaned out more than $100 billion, the vast majority of which (87.5 percent) went to projects in EU countries.14 This included $5 billion in high-speed rail projects; $3 billion in road and bridge improvements; $12 billion in sustainable urban transit; and $134 million in inland waterway improvements.15 Overall, the bank financed 460 “large projects” in 72 countries in 2010 alone, and this was all on top of the investments made independently by individual member states.16 The European Investment Bank should serve as both a useful example for policymakers and as a harsh reminder of how the United States is continuing to fall further behind our international competition. Any U.S. infrastructure bank must learn from the successes and failures of its international predecessors and must do so quickly if we are to keep pace in the decades ahead. \* This report uses 2010 data to allow for easy comparison between European Investment Bank investment levels and federal U.S. loan authorities for infrastructure. (see Figure 1) Lessons from the European Investment Bank Failure to coordinate investments The uncoordinated and siloed fashion in which federal dollars are allocated also hampers efforts to modernize U.S. infrastructure. Despite the interdependence of America’s electricity, water, transport, and telecommunications networks, the vast majority of federal funds are dispersed by sector-specific programs that do not take into consideration the impact of their initiatives on other infrastructure systems. 8 Center for American Progress | Creating a National Infrastructure Bank and Infrastructure Planning Council The Department of Transportation, for example, does not fully consider how increased investment in passenger or freight railways might alleviate the need for additional road and highway expenditures, and does not coordinate the landside port improvements it funds with Army Corps of Engineers waterside investments at the very same ports. Indeed, according to a recent Center for American Progress analysis, integrated transportation spending accounts for only about 2 percent of the Department of Transportation’s investments—a distressing figure for those concerned with maximizing efficiency and minimizing costs.17 Exacerbating this problem is the inherently reactive nature of the many federal agencies responsible for various aspects of our nation’s infrastructure. Nearly all of the projects that agencies consider are brought to them by localities, states, or Congress. They are almost never asked to propose projects based on their own analysis of national needs or to take on the role of integrating multiple small-scale proposals. Instead, they are only given the responsibility of evaluating individual pitches from policymakers primarily concerned with their own limited constituencies. Consequently, the United States has no national goods movement, water, or energy plans to match those of other rapidly developing nations, and our economic competitiveness and prospects for growth are suffering as a result. Failure to allocate funds efficiently Despite inadequate funding levels and limited program coordination, the United States still allocates tens of billions of dollars annually to a multitude of projects across the nation. Such investment could go further toward upgrading America’s infrastructure if it were spent more efficiently. The vast majority of funds for infrastructure projects in the United States are not disbursed on the basis of a rigorous comparison of projects’ economic costs and benefits. Instead, they are allocated by formula or annual congressional appropriations that place more emphasis on geographic political considerations than on return on investment. For decades, highway funding has been distributed by formulas that heavily weigh vehicle miles of road over the actual need for repair or extension. As a result, Alabama has in the past received more funds than Massachusetts, Florida more than New York, and Georgia more than Michigan.18 This inefficient process is only getting worse, as the recently passed surface transportation bill actually increased the percentage of funds apportioned by formula from 83 percent to 92.6 percent.19 9 Center for American Progress | Creating a National Infrastructure Bank and Infrastructure Planning Council Highway spending, however, is not the only area where money is allocated in this fashion. According to the Congressional Research Service, the nation’s 20 busiest ports handle 80 percent of arriving oceangoing ships but account for less than 40 percent of federal Harbor Maintenance Trust Fund expenditures.20 In the allocation of funds for drinking water projects, millions of dollars are allotted every year just to ensure that every state receives at least 1 percent of the funds available.21 Such processes virtually ensure a suboptimal distribution of investment, as money is directed according to arbitrary legal requirements not potential impact. America’s present system of infrastructure financing is failing on multiple fronts and falling well short of providing the levels of coordinated and expertly directed investment required to rebuild and modernize our aging bridges, electrical grids, and highways. It is clear that if the status quo is maintained, the United States will only continue to fall further behind its neighbors and competitors—with significant and damaging repercussions for the future health of the U.S. economy.

Short-term stimulus effort key to jump-start the economy and prevent depression – key internal link

Fell 11/13 (Charlie, “Expansion is best way US can address the fiscal cliff”, 2012, http://www.irishtimes.com/newspaper/finance/2012/1113/1224326520647.html, CMR)

The need for long-term fiscal discipline is beyond dispute, particularly so with age-related expenditures set to spiral in the years ahead. But the fragile economic recovery highlights the need to postpone “responsible” government policy for now. The US should embrace temporary fiscal expansion to bolster an economy, which like so much of the developed world is caught in a liquidity trap that has rendered conventional monetary policy ineffective.¶ The implosion of the credit-fuelled housing bubble four years ago prompted a pronounced deleveraging of household and corporate sector balance sheets that resulted in a more than 11 percentage point swing in the private sector’s financial balance relative to GDP. The unusually sharp increase in private-sector savings relative to investment drove the economy into the deepest recession since the 1930s.¶ Unprecedented monetary stimulus, in concert with a gargantuan fiscal spending programme, prevented a depression, but more than three years into recovery the economic outlook is far from encouraging. A debt-constrained consumer and the shortfall in demand it delivers has created a reluctance on the part of the corporate sector to invest in either human capital or productive assets. That threatens to lower the economy’s potential growth rate. Subdued household demand has contributed to a relatively jobless recovery and the elevated unemployment rate has eroded labour’s bargaining power. As a result, nominal wage gains have consistently failed to match the rate of inflation. Stagnation in real household incomes has had a material impact on expectations.¶ The Thompson Reuters/University of Michigan Survey of Consumer Sentiment shows that households expect their dollar incomes to grow at less than 2 per cent a year today, compared with an average of more than 5 per cent a year during the “Great Moderation” – from the early 1980s until the financial crisis. Household expectations do not point to a robust expansion in consumer demand soon.¶ Furthermore, the latest earnings season confirms that corporate profitability has peaked, which means that hiring and business investment are certain to remain subdued. High rates of unemployment are sure to persist as a result, while investment rates are likely to continue below trend. The erosion of human capital, alongside the degradation of the productive capital stock, will certainly result in a loss of productivity, and lower the economy’s potential growth rate.¶ Faced with a liquidity trap, monetary policymakers can do little but slow the deleveraging process via lower debt-servicing costs and higher asset prices. The inability to ignite a private-sector credit cycle and a consequent robust economic expansion means that, if possible, governments should run large fiscal deficits to fill the demand gap. US politicians should not only reach agreement on the “fiscal cliff” as a matter of urgency, but should also embrace expansionary policies in the short term, simply because they can.¶ An extremely important paper\* co-authored by J Bradford DeLong and Lawrence Summers, shows that in unusual times, such as now, fiscal expansion is likely to pay for itself . “In a depressed economy . . . temporary fiscal expansion does not materially affect the overall long-run budget picture.”¶ The “fiscal cliff” threatens to drive the US into recession, but policymakers should go further and embrace temporary fiscal expansion. The ball is in the politicians’ court, but the verdict is out as to whether they grasp the economy’s predicament. Will public servants put an end to austerity madness or allow the economy to be dragged into a deflationary depression? Time will tell.