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**Democratic Caucus Issues Conference**  
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I want to thank you, Speaker Pelosi, Congressman Emanuel and your colleagues for inviting me to present my views with respect to infrastructure investment. I'd also like to congratulate you all for promptly addressing the economic correction caused by the crisis in the housing and financial markets. Your initiative in formulating the \$146 billion stimulus package is a very significant step forward at this stage and the absolutely right leadership role for the Democratic Party and the country. We all recognize, however, that any stimulus program is designed for the short term. Not addressed is a long-term strategy for public investment. This issue needs to be tackled in "stage 2."

A public investment program, by its nature, is not temporary and will have a far-reaching positive effect on U.S. productivity, security and quality of life. Such a program directly addresses the issues of immediate job creation, productivity improvements, competitiveness and national security. Short-term solutions, on the other hand, especially those that rely on fiscal or monetary stimuli, focus on consumption -- instead of investment -- and fuel excess speculation in specific segments of the financial markets -- commodities, for example.

There is no need to cover old ground by reciting the all too familiar local and regional requirements for public investment. It should be sufficient to say only that since the mid-1970s annual public investment has declined by 33% leaving a public investment deficit of over \$1.7 trillion. Recent events such as the failure of the levees in New Orleans, the collapse of the Minneapolis bridge and the steam pipe explosion under the streets of New York City are tragic reminders of the increasing need.

America's ranking in broadband usage further illustrates that the infrastructure deficit is real. The US ranks 15<sup>th</sup> out of 30 OECD<sup>1</sup> members in per capita broadband use, down from 4<sup>th</sup> in 2001. And, it is 20<sup>th</sup> in the growth rate of broadband penetration. This has a huge negative impact on America's competitiveness worldwide. A final example is that the U.S. is the only industrial nation I can think of that has not deployed a high-speed rail system.

The cumulative investment deficit is deteriorating the American quality of life; it undermines U.S. competitiveness and productivity. It impedes the deployment of hi-tech

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<sup>1</sup> Organization for Economic Cooperation and Development

solutions to homeland security; and most relevant to our current financial crisis, it deprives us of the most immediate and efficient stimulus to job creation.

My message today is that public infrastructure investment:

- Provides the most available and fiscally responsible immediate long-term remedy to recurring economic dislocations caused by excess speculation in our commodity and financial markets.
- Offers the most direct stimulus at the lowest cost by emphasizing remedies that encourage productive investment rather than stimulation to consumer consumption: tax rebates generate only \$0.67 of demand per dollar; infrastructure spending gives us the best leverage...as much as \$6.20 per dollar spent.
- There is a backlog of projects in the pipeline that could be implemented within 90 days, thereby adding impetus to the stimulus package.
- Creates more, better-paying, higher-skilled, permanent domestic jobs.
- Adds to America's productive capital (e.g. roads, bridges, ports, air traffic control systems, etc.) and supports real, lasting wage and income growth.
- Can be targeted to economic areas most in need.
- Stimulates private investment at a time of sluggish business expenditures.
- Makes the economy more efficient and productive; broadens the tax base.
- Soaks up excess global savings and channels them into investments.
- Is not a temporary sugar high but the best way to increase economic growth potential driven by investment and rising wages.
- Indeed, many economists believe that infrastructure investment is the best way to absorb and divert excess global savings into growth stimulation and productivity improvement.

Budget considerations and pay-go initiatives have been an impediment to correcting our deficit in infrastructure investment. The current economic crisis in the housing and credit markets demands a long-term remedy and several have been offered. There are infrastructure legislative proposals currently in both the House and the Senate, among them:

- Congressman Oberstar's Regional Economic and Infrastructure Development Act;

- The Dodd/Hagel bill in the Senate and its Ellison/Frank companion in the House, both calling for the establishment of a National Infrastructure Bank;
- Congresswoman DeLauro's National Infrastructure Development Corporation proposal;
- And, the Wyden/Thune Build America Bonds Act.

These are substantial and meaningful efforts. I trust that one or a combination of them will be enacted in a timely manner and I recommend an aggressive House initiative to enact appropriate legislation. I must point out, however, that legislative proposals to fix our infrastructure would be unnecessary if our government -- like state and local governments and every business I know -- had both a capital AND operating budget. In the absence of such a regime, the U.S. suffers from an infrastructure deficit that hurts us both domestically and globally.

Just this week on the floor of the Senate, Senators Dorgan and Dodd made the case for infrastructure investment as relevant and timely. Senator Dodd in particular called attention to the initiatives undertaken by individuals and think tanks that have focused on this important issue.

The urgent need for public investment in infrastructure is an issue the Democrats should own.

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