

Bernard Schwartz National Economic Policy Forum

In partnership with the **New America Foundation**

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A Growth and Jobs Strategy

Our Proposal

The surest and quickest way to create jobs and restore America's economic health is to initiate a multi-year national infrastructure program. We propose a six-year, \$1.2 trillion investment of public and private funds to replace and upgrade our country's ailing infrastructure and create jobs for Americans in America. The Federal Government's commitment would cost about \$360 billion over six years or about 30% of the total, with the balance borne by local, state and regional governments and the private sector. An average annual investment of \$200 billion in public and private funds, of which approximately \$60 billion in each of six years would come from the Federal Government, would create as many as seven million jobs. A program of this scale and duration would insure the continuity and the stability of demand needed to encourage greater private and foreign investment. It is the best solution available today to create the jobs and generate the growth our economy needs to get out of the current crisis.

Background

Recent developments underscore that we are in a global economic crisis and a jobs recovery is out of reach. We are faced with a perfect storm of coinciding developments:

- The recent jobs report confirms that we have nearly 24 million unemployed or underemployed Americans, and that the average duration of unemployment has increased to 34 weeks, the longest since the Great Depression.
- Fed Chairman Bernanke has admitted that even his targeted growth rate of 3.5 percent would result in "only a slow reduction in the unemployment rate."
- China's leadership has announced its goal of 8 percent growth for 2010, which would represent a 25 percent decline from last year's rate.
- The escalating sovereign debt crisis in Europe threatens the viability of the Euro and portends slower growth if not a new recession there.
- As a result of these developments, worldwide demand is again in decline, which will have a negative impact on U.S. exports.
- A festering fiscal crisis in state and local governments is leading to more job cuts and tax increases.
- Housing is turning down again and widening cracks in the commercial real estate market threaten new problems for our nation's banks. Toxic assets have only been reshuffled, not reduced.

There are, however, a number of positives in the U.S. economic picture. We have low inflation and low interest rates, strong corporate balance sheets, and a rebound in industrial production (though the sustainability of the industrial rebound is difficult to predict). But these positives are eclipsed by the long list of negatives. Even if we meet the optimistic growth targets of the Administration we will not solve the severe unemployment problem. **A jobless recovery is not good enough!**

We Need and Can Afford A Multi-Year Infrastructure Investment Program:

- Infrastructure investment creates jobs directly and indirectly because it has a healthy multiplier effect that results in stronger economic growth and substantial improvements in our standard of living and national security.
- The program will be based on our proven model of joining federal and local governments with the financial community and private enterprise in public-private partnerships.
- This is an investment program that will span multiple years -- not a spending program. Deficit increases in any one year will be more than offset over the life of the program by the tax revenues generated by increasing growth and putting people back to work.
- This is a good time to finance such a program: interest rates are at an historically low rate; inflation is low; the labor force is available.
- By leveraging private capital, a \$1.2 infrastructure investment would require less than \$360 billion of federal expenditures spread over six years.
- It will pay for itself over time as a result of increased productivity, stronger growth, and increased tax receipts.

We congratulate the Obama Administration on the steps it has taken to strengthen the economy to date. We also applaud the Administration for including infrastructure investment as one of its economic objectives. We are, however, petitioning the Administration to make a job-generating infrastructure investment program our next domestic priority. We believe it is the only solution of scale that will help Main Street Americans and lead to national and global economic growth over a sustained period of time.

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