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Thank you, Congressman Israel, for your warm introduction. And, good morning, Leader Pelosi, members of Congress and ladies and gentlemen. I am pleased to have been invited to participate in this DCCC conference. As Mark Zandi points out, and as I'm sure we'll hear from James Woolsey, today we are facing numerous challenges to maintaining America's economic health and leadership – and it's going to take a great deal of hard work, creativity and persistence to surmount them.

I believe that the Democratic Party is up to the task of taking the lead on these issues. It's not going to be easy, but I have great faith in America's deep resources and resilience. Our strength as a nation depends upon the strength of our economy and our ability to utilize fully the considerable talents and abilities of our people.

Today I want to talk about two urgent problems that threaten our future national strength.

One is the huge shortfall we have accumulated, over the past two or three decades, in investment in our public infrastructure. Prior to the 1980s we devoted 3 percent of Gross Domestic Product annually to spending on public infrastructure. But, since 1980, we have spent less than 2 percent of GDP annually, resulting in a huge shortfall of needed investment.

In its latest report, the American Society of Civil Engineers estimates that we need to spend \$2.2 trillion over the next five years to meet America's core infrastructure but that in fact we are projected to spend less than half that.

We all know about our excessively congested highways and potholes on our city streets. We've all experienced the inadequate airports and antiquated and perhaps dangerous air transportation system. Our productivity suffers from the absence of a national electric grid and a high-speed rail system. And in so many other areas of vital services our capabilities decline each year. Even in the area of information technology the American economy and competitiveness are being hurt by the fact that we lag behind other economies in the deployment of essential infrastructure. The United States now ranks 16<sup>th</sup> in the world in broadband penetration. This alarming fact should be unacceptable.

We cannot “win the future,” to use President Obama's theme, with a crumbling, second-rate infrastructure. In a globalized economy, public investment has become more critical than ever to the economy's competitiveness. If businesses don't have the infrastructure they need here, they will invest elsewhere.

The other serious problem we face today is the high level of unemployment and underemployment. The official unemployment rate of 8.8 percent does not tell us the full story. Today, there are more than 28 million Americans who are either unemployed or underemployed – this is nearly one out of every six working age Americans. Youth unemployment figures, which track people age 16 to 24, is running above 20 percent. And the number of long-term unemployed, those unemployed for 27 weeks or longer, accounts for 45.5 percent of the jobless. In other words, nearly half the unemployed have been looking for more than half a year.

The problem is that the economy is creating too few jobs. If you consider full employment to be somewhere between 4 and 5 percent unemployment – as it was before the economic crisis – we have a jobs deficit of nearly 12 million jobs, or more than 20 million if you add those who are underemployed. Thus, in order to move the economy back to full employment by 2016, we would need to create more than 300,000 jobs per month. Over the last three months, we created on average fewer than 200,000. That is not good enough.

GDP growth is not the only measurement to determine our economic progress. We are enjoying a jobless economic recovery. Unfortunately a jobless recovery, one in which GDP grows, but unemployment remains high, is not good enough. The problem is that our manufacturing and post-manufacturing economy is transforming into a service and information-based economy. This is a structural change. But the unfortunate consequences of this change can be offset if we put our labor back to work at high skilled, permanent and domestic jobs that infrastructure desperately needs. This is not a revolutionary concept. It has been a successful option since we bought the Louisiana Purchase, and built the Erie Canal, the Triborough Bridge and the Hoover Dam. If we could do these in the 19<sup>th</sup> and 20<sup>th</sup> centuries, and so much more, why can't we do it today?

This high level of joblessness robs the economy of needed demand and production, and it saps the strength of our society. High unemployment has long-term economic and social consequences: erosion of labor skills, lost income and diminished opportunities, deterioration of health and life expectancy, and the coarsening of the American social fabric.

There is only one national program of sufficient scale being considered that can put our people back to work and, at the same time, solve the infrastructure deficiency. Such a program would create millions of permanent high-level jobs and build a modern and efficient network of power grids, ports, water systems, high-speed rail networks, and safe air traffic control systems.

It is also the key to putting America back to work. No program would do more to create long-term good-paying jobs in America than would a robust multi-year public infrastructure investment program. It is important to note that such a program has a healthy multiplier effect throughout the economy, and thus creates jobs indirectly in other sectors of the economy. The Congressional Budget Office estimates that every dollar of

infrastructure spending generates an additional 60 cents in economic activity, for a total increase to GDP of \$1.60. Some critical transportation and energy projects have even larger multiplier effects.

We are increasingly told that with our already large deficits we cannot afford to do anything about these problems. That is wrong. And it is a shortsighted view.

We are still a rich nation with enormous resources. Yes, the federal debt held by the public has increased in recent years to approximately 62 percent of GDP, but this is still well below the level we had in the late 1940s and early 1950s when we embarked on one of the largest and most successful infrastructure building programs in American history.

The problem is not the lack of available capital at reasonable interest rates. There are literally trillions of dollars sitting idle and available for high-quality investments in our future.

U.S. pension funds alone have more than \$3 trillion in assets and an investment outlook consistent with the stable long-run returns infrastructure projects would generate. Add to this a formidable amount of capital in international hands that could also be attracted to this market.

Our problem is not the lack of money. It is the lack of imagination, a lack of belief in the future and a lack of political will. There is, in fact, a practical way to tap these large sums of private capital to rebuild our public infrastructure and put people to work at a relatively modest cost to the federal budget. And that is by establishing a national infrastructure bank that could leverage a relatively modest public capital government investment with much larger sums of private capital.

To that end, two weeks ago, Senator John Kerry, along with Senators Kay Bailey Hutchison and Mark Warner, introduced a bi-partisan bill to create an American Infrastructure Financing Authority. Congresswoman Rosa DeLauro – who has campaigned for this concept for 20 years – has a national infrastructure bill in the House. Congressman Steve Israel has provided leadership on the possibility of forming state or regional infrastructure banks. There are some differences in their respective approaches, but they represent a strong step forward. We should support their efforts and make establishing an infrastructure bank one of our highest national priorities.

This is not a spending program; it is an investment program that would provide real investment in our future. An infrastructure bank would tap into under-utilized capacity in our private sector. It would employ the extensive clout of our private financial institutions. It would attract substantial sums which remain under-utilized from pension funds and international investment funds.

An infrastructure bank would leverage the government's investment through guarantees and loans of up to forty years. The bank's board of directors – made up of professionals chosen by the President and Congress – would establish economic rates of return and

appropriate re-payment schedules. They would guarantee that the loans provided by the bank would meet national standards. And, they would monitor the new projects to ensure they meet our national objectives.

Unlike ordinary government operating expenditures, an infrastructure bank investment program would increase tax revenue and create new wealth. It would pay for itself over time as a result of increased productivity, strong growth, competitive business environment, and a better way of life.

It is time we stopped complaining and got back to work. This solution is not beyond our capabilities. America is truly the world's leader. The world is playing by our play book. More countries across the globe are turning to democracy and free capital systems. America commands a leading role in the area of culture. It is *our* music, *our* blue jeans, and *our* movies that are sought after throughout the world. *Our* medical institutions are the world's leaders in both research and performance. *Our* R&D centers, like those in Silicon Valley, North Carolina, Texas and Long Island are still the most innovative in the world. *Our* citizens are the most mobile and best educated. We have the greatest military power and we devote it to saving lives and promoting democracy. We produce 26 percent of the world's products. Our currency remains the leading currency of the world. And Wall Street provides the most capital and most efficient financing.

Our ability to innovate, our optimism, and our resilience are unmatched, and they provide the resources that we will employ to improve not only our own society, but the rest of the world's as well.

The time is now. There are infrastructure projects ready to be implemented. We have a ready and willing workforce. Capital is available and interest rates are attractively low.

I am a great believer in America's strength and am optimistic about our future. But, I admit to having concerns about our reluctance to rise above the bi-partisan fray and address the issues of joblessness and infrastructure head on. As the just-retired *New York Times* columnist Bob Herbert wrote a couple of weeks ago: "It's not an overstatement to say that unless we atone for our infrastructure sins, the high tide of American greatness will have passed." I trust we won't let that happen.

Thank you.