

AMERICAN JOB CREATION AND INFRASTRUCTURE FORUM

HOSTED BY:

THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

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WASHINGTON, DC

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There is a growing need for infrastructure investment in the United States to bring us to the appropriate standard for the world's leading economic, financial and industrial nation. The problem of broken infrastructure has been growing for years and reaches crisis proportions today. The wasting assets in our country's transportation, high-speed rails, deep water ports, national grid, water systems, air traffic control, tunnels, bridges and highways are well recognized by all. This conference did not outline in detail our failing system, but rather it approached the discussion with a forward-thinking and practical mindset focused on correcting this national problem. In addition, we attempted to define the actual financial cost to correct this problem and to establish the organization required to finance, prioritize and oversee a multi-year infrastructure investment program.

On October 8, 2015, the organizers of the conference convened a high level bi-partisan group of government officials and experts in industry, labor, and academia to explore opportunities for infrastructure investment in the United States. Approximately 150 people attended the conference. Keynote speeches were delivered by Vice President Joe Biden, Chicago Mayor Rahm Emanuel, and U.S. Senator Elizabeth Warren. Carnegie

Endowment President Bill Burns delivered the opening address. This report summarizes the discussion.

Of special note, the gathered generally agreed that this national crisis must be addressed now in order to ensure that the United States remains a competitive and efficient player in the global industrial, technical, service and manufacturing economy. They also recognized that the opportunity for such a program has never been more propitious given the availability of financial liquidity, low interest cost, and labor, all of which are now plentiful in our country. Third, the conferees expressed confidence generally that the political winds are most favorable NOW. They all expressed a high degree of confidence that such a program is possible and affordable. In addition, it was noted that capital expenditures, i.e., infrastructure, are investments, not operating costs and consequently should not be scored as budgeting expenditures.

Moving forward, the organizers of the conference will now organize a bipartisan effort to bring this program about. They will begin by consulting with the administration, congressional, state and local government officials, and industrial leaders.

That infrastructure is a smart investment is nothing new. American history is replete with examples demonstrating that infrastructure investment grows wealth, income, and jobs as a foundation for American productivity and competitiveness. Our history provides multiple instances of successful governmental infrastructure initiatives: the Erie Canal, the Transcontinental Railroads, the Louisiana Purchase, and the National Transportation System are a few examples. What is lacking today is political will. The conference recommends a bipartisan legislative initiative to establish a national infrastructure program that will arrange financial requirements, prioritize projects, identify pools of international capital, and provide oversight and administrative arrangements.

The conference also focused on the true cost of an Infrastructure program in the United States over an eight- to ten-year period. Contrary to popular misconception such a program is quite affordable. The cost of correcting our infrastructure deficiency is estimated at approximately \$2 trillion over a ten-year period. After recoupment generated by tolls, user fees, and related licensing, the amount needed to be addressed by the American taxpayer is estimated to be between \$80 and \$100 billion over ten years. This is very affordable for this country. The conference stressed that wealth will begin

to generate in America the first year of investment and continue to contribute to our nation's tax base and economic strength for well beyond the ten year program discussed. In addition, a multiplier works to add 20 to 30 percent in associated business activity for each dollar spent.

The conference also expressed a good deal of confidence that an effort begun now to avoid this crisis is financially possible.

SUMMARY OF PANEL DISCUSSIONS

David Rothkopf, Forum Chair

The conference was comprised of three major panels of lively and in-depth discussion with members of both the U.S. Senate and the U.S. House of Representatives, labor leaders, business leaders, and representatives from both academia and think tanks. All panelists were tasked with presenting their ideas, operating under with the undisputed notion that our nation's infrastructure is crumbling at every level and many nations less prominent than we have tackled this problem more seriously and successfully. These participants were asked to bring solutions and plans to implement them.

Vice President Joe Biden presented remarks as one of the keynote speakers for the conference. In his remarks, he talked about the serious infrastructure issue created as jobs move out of the cities and away from urban labor concentrations. He argued that an infrastructure program will “provide tremendous opportunities for growth and advancement for our people” and “put the middle class back in the saddle.”

David Rothkopf served as conference moderator, keeping the speakers and questioners among the audience focused on the important subject at hand.

ANIMATING THE DISCUSSION

The conference began with a speech from Chicago Mayor Rahm Emanuel, who tackles infrastructure issues head on. Mayor Emanuel believes that these efforts must begin at the local level where citizens see on a daily basis how failing infrastructure impacts their daily lives. In his address, the Mayor said, “Cities are where the economic energies of the country lie.” Bill Burns emphasized the connection between improving infrastructure, growing the economy from the ground-up and the United States’ ability to be a competitive and effective international leader: “There is an inescapable connection between strong American leadership abroad and a strong and vibrant American economy at home.” Discussion after the Mayor’s speech emphasized how the national conversation needs to drive home that all of our infrastructure failings affect us all—congested traffic and poor roads, lackluster public transportation, insufficient grids and telecommunication outlets, and growing environmental issues all pose challenges for the American public. Neera Tanden from the Center for

American Progress urged that we broaden this dialogue by discussing how a better infrastructure helps ensure social mobility and, as Damon Silvers of the AFL-CIO said, “the promise of a better life.” Perhaps Senator Elizabeth Warren (D-MA) said it best when in her remarks she said:

The point is clear: businesses do better, workers do better, families do better, and our earth does better when we have a state-of-the-art infrastructure available. Infrastructure is a core element in building a stronger, more robust future.

JOBS AND OUR READY UNEMPLOYED WORK FORCE

More important as a tool to help Americans see the urgency of this issue is the fact that a vast national infrastructure program is a path to immediate middle class jobs. This workforce is available and trained and ready to begin. Former governor of Pennsylvania Ed Rendell discussed that, during his tenure, Pennsylvania received \$1 billion in stimulus money from the federal government, creating 25,000 “family-sustaining” jobs. “Imagine,” the Governor suggested, “if America spent \$200 billion one year on infrastructure. That is over five million well-paying jobs.”

FRAMING THE CONVERSATION IN ACCURATE FINANCIAL TERMS

Throughout the day there was a vibrant discussion about the general misunderstanding of the real cost of this program to the nation. As Bernard

L. Schwartz, one of the conference hosts, said, “we are talking about an investment. We are rebuilding America.”

First, an infrastructure program must be listed as an asset with unmatched return on investment with job creation value—not as a government expenditure.

Second, upfront costs to the American people are lower than many think and infrastructure’s capacity to create jobs and sustain long-term productivity recoups greater value than initial expenditures in both the short- and long-term.

Third, this is a self-liquidating program. Estimates range from \$80 to \$100 billion of public and private sector investment needed over the course of eight to ten years for a meaningful program. Mechanisms to cover this short-fall can be built into the infrastructure itself. User fees, taxes and other means can offset this. As the former Republican mayor of Mesa, AZ Scott Smith said, “Infrastructure not only pays for itself but actually returns much more than you pay for it.”

ORGANIZATION STRUCTURE – INFRASTRUCTURE BANK

A long discussion addressed what sort of financial mechanism would best implement and oversee such a huge effort. The conference offered robust

support for a federally chartered infrastructure bank which could help leverage and borrow money, both domestic and international, prioritize projects, oversee this work and provide financial expertise in general. “The infrastructure bank,” Senator Mark Warner (D-VA) explained, would be a source of “long-term financing,” in some projects with forty- to fifty-year terms. Delving further, Will Marshall suggested that the bank could promote public-private partnerships and “pick up the pace” by avoiding lengthy processes and evaluations. Some suggested that the term “bank” might be a negative approach, but approved the concept of a financial overseer of the program.

Carl Bernstein and the *Financial Times*' Ed Luce pointed out the power of language in presenting our program. Although he does not disagree with the idea of a bank, he provided sound argument that a more politically acceptable term be found.

MOVING AMERICAN INFRASTRUCTURE FORWARD: OPTIMISM AND URGENCY

All relevant data suggests strongly that the time is now for such an effort. There is great liquidity, interest rates are low, a trained work force is immediately available and there is a pervasive belief that there is now bi-

partisan support behind this. It was mentioned that presidential aspirants from both parties are discussing this. Senator Chris Coons (D-DE) predicted that there is a tangible sense of the infrastructure crisis mounting in our country that will help focus "the attention of relevant Senators" and "push the issue of compromise in this country." Congressman John Delaney (D-MD 6) argued for coupling infrastructure with international tax reform. The deal, he suggested, is "not only substantively good for the country but also politically doable."

Two percent of the U.S. Gross National Product is spent on infrastructure annually. Unfortunately the requirement is about 3 percent and that 1 percent deficiency continues to accumulate. Rob Atkinson of the Information Technology and Innovation Foundation says that translates into the country funding only about 44 percent of what we need. This will harm business and then of course accelerates unemployment. The Council on Foreign Relations' Heidi Crebo-Rediker pointed out that then "people don't get where they need to be, information doesn't get where it needs to be and products don't get where they need to be." The gathered shared an overall understanding that this reality and the dire predictions they forecast are the results of political inaction. They contended that a strong sense that

elected officials understand that something must be done makes clear that the nation is ready of move forward with infrastructure solutions.

CONCLUSION

Consensus and history reflect that infrastructure is a time-tested investment. We see it everywhere. And, never before, have we been in such a positive position to make this investment with our ready and trained work force and our financial well-being. Those positives, coupled with a growing sense of crisis and concern that we will fall behind if we don't take these steps, are reason for an optimistic and positive conclusion to this conference on an immediate jobs program through the suggested vast infrastructure program.

APPENDIX A: LIST OF PANELISTS

MODERATOR

David Rothkopf

OPENING SPEAKER

William J. Burns

KEYNOTE SPEAKERS

Vice President Joe Biden

Mayor Rahm Emanuel

Senator Elizabeth Warren

FEATURED PANELISTS

Robert Atkinson

Carl Bernstein

Chris Coons

Jonathan Cowan

John Delaney

Deborah Gordon

Robert B. Hormats

David Livingston

Edward Luce

Jeff Madrick

Will Marshall

Rosabeth M. Kanter

Robert Puentes

Heidi Crebo-Rediker

Edward G. Rendell

Michael Sargent

Bernard L. Schwartz

Damon Silvers

Scott Smith

Neera Tanden

Felicia Wong