THIRD WAY

TRANSCRIPT *Published September 30, 2013 • 6 minute read*

Infrastructure 2.0: Investing in the Technology of Tomorrow

Bernard Schwartz

Third Way

REMARKS PREPARED FOR DELIVERY BY
BERNARD L. SCHWARTZ
THIRD WAY & THE ATLANTIC
INFRASTRUCTURE 2.0: INVESTING IN THE TECHNOLOGY OF TOMORROW
SEPTEMBER 30, 2013

The Case for Infrastructure

Before we dug the Erie Canal, it cost $120 to ship one ton of flour from Buffalo to New York City. After its construction, it cost $6. Because of that investment, business boomed, consumers lived better, and prices for products dropped.

That was almost 200 years ago, and the lesson hasn't changed. Our national investment in the Grand Coulee Dam created millions of acres of arable land, whose wealth to our country cannot be estimated. There is an unshakeable bond that links infrastructure to economic growth and to better lives for people. That is the story of America's economic success and the creation of the greatest middle class in the world.

So why have we stopped investing? Why have we forgotten what made America and the middle class great?

Nothing would do more to put America back to work in good, long-term jobs than infrastructure investment. Nothing would be better for our long-term economy than making investments in better ports, roads, transmission wires, rail, and broadband so that we can move people, products, power, and ideas better, faster, and cheaper than the rest of the world.

And there is no better time to invest than now. Capital is available and cheap. The need is great. And the workforce is waiting.

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. I think this is an understatement, because we will not see the kind of recovery we want if we continue to let our infrastructure languish. Because we used to be the best — and now —

- America's transportation infrastructure ranks 24th in the world, behind both Barbados and Malaysia.

- Average commuting times in major U.S. cities exceed those in every European country but Hungary and Romania.

- Average broadband speeds in 15 countries are now faster than ours.

- And while Japan's high speed rail network has the ability to transport people and goods at 186 miles per hour, our fastest rail lines travel at a meager 70 miles an hour.

This is not befitting a great nation with great aspirations.

It's clear how we got here. 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. One percent might not seem like a lot, but over the last 20 years this has accumulated into a $1.7 trillion deficit in infrastructure investment.

And because of that shortfall, we now have 4,000 deficient dams, one in nine of the nation's bridges are structurally unsound, and 240,000 water main breaks every year in the United States. It's no wonder that, in its latest report, the American Society of Civil Engineers estimates that we will need $3.6 trillion by 2020 to meet America's core infrastructure needs. That's the cost of being one percent short for 25 years.

I realize that Washington is broken. It is becoming harder and harder for our elected leaders to name a post office, let alone come together on infrastructure policy. Too many of our political leaders suffer from a lack of imagination, a lack of belief in the future, and a lack of political will. So rather than talking about how we can grow and seize opportunities of the new, 21st century economy, we are sitting here wondering if the United States of America will default on our obligations.

But I am an optimist. These bitter political moments pass. And there are promising efforts underway to do this—to break through this gridlock and shake up how we think about, and advance, infrastructure in this country.

I have been a longtime supporter of establishing an infrastructure bank and think it should be one of our highest national priorities. An infrastructure bank should not be seen as a cost – these are capital investments that increase our country's asset position. An infrastructure bank would tap into under-utilized capacity in our private sector. It would employ the extensive clout of our private financial institutions. And it would grow our country. But most important, the bank would oversee investments, help choose projects, structure financing terms, issue long-term debt, and most importantly, borrow funds from international and domestic sources that do not participate now.

This growth is necessary because there are simply too many Americans who are either unemployed or under-employed. This weakened state of employment 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. An infrastructure bank 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.

My friend, Congressman John Delaney, has been leading an unusual effort in congress around this approach. John has a bipartisan bill called the Partnership to Build America Act which upgrades America's aging infrastructure with an infrastructure bank that oversees development by choosing projects without political influence and, most importantly, raising money from both domestic and international sources. John should know a thing or two about finance and getting things done—he is the only former CEO of a publicly traded company in Congress.

There are other great ideas out there that we will discuss today. From public private partnerships to how states can better allocate resources. The key in all this is that the time is now. We must break through this political gridlock. There are infrastructure projects ready to be implemented. We have a ready and willing workforce. And we must seize this opportunity.

Yes, Washington is divided. But we have the most prominent think tank on the left – Third Way – and the right – AEI – both dedicated to bringing leaders together to get past partisan gridlock to strengthen our country's infrastructure. We can do this.

I want to say thank you to The Atlantic for hosting, especially to Steve Clemons who is so incredibly thoughtful on these issues; thank you Third Way and AEI for leading; and thank you to John Delaney and to our panelists. This morning we are going to see that there are new innovative ways to tackle our infrastructure problems. And there are leaders who want to get this done. We simply cannot wait to fix our political system in order to fix things.

Thank you.