Key Questions on the Economic Recovery Act

How large is the real deficit in economic infrastructure of the United States?

Very large, requiring hundreds of billions of dollars of public investments *annually* for an economic recovery based on raising the real productivity of our workforce and our population. The American Society of Civil Engineers' (ASCE) estimate of *$1.7 trillion* in immediate infrastructure investments needed, is well known, but has not been acted upon. Clean water infrastructure is the largest need, at $450 billion. The entire nation has only 100 miles of electrified railroad left; its power grid is falling below minimum reliable requirements; its community hospitals can't meet public health needs.

But this ASCE estimate, itself, is a *minimum.* It is not the real infrastructure deficit, because in many areas it calls, not for building a new national infrastructure, but for repairing the old. ASCE's estimated need for waterway and port navigation infrastructure—especially, lock-and-dam systems on the nation's rivers—is $125 billion, and *does* involve a lot of new infrastructure projects, because these systems are so old and obsolete that hundreds of them need urgent replacement with modern technology. But for the nation's rail system, ASCE estimates $60 billion in investments needed; this definitely does not involve building the new, high-speed, electrified railroad grid we need. That will require several hundred billion dollars in investments.

If our mission is to build a new national infrastructure to raise the technological level and productivity of our workforce, and the standards of our people, to 21st Century potentials, the infrastructure deficit is several times the ASCE's $1.7 trillion figure.

Where will Congress get the money for these large infrastructure investments?

The "government can't. . ." axioms of the era of unrestricted free trade and globalization, are discredited in the present collapse. Congress can think anew—of the proven methods of Federal credit issuance used for the Transcontinental Railroad and the industrial boom which followed the Civil War; for the great infrastructure projects of the FDR Presidency; and during the earlier era of Hamiltonian national banking, which first built up our new nation's infrastructure.

Congress can authorize the Treasury to issue long-term bonds at low interest directly to the Infrastructure Corporation. By discounting these bonds for capital at Federal Reserve banks, the Corporation causes the Federal Reserve to act in the manner of a National Bank, and the credits issued remain low-interest, and their value essentially at 100%. Congress can designate revenue sources to these bonds if it wishes.

But as FDR stressed when he introduced Lend-Lease at a press conference in December 1940, "Forget money. I want to get that dollar sign out of your minds." Even that credit issuance, for *purely military* production, for the British and Soviet war efforts, went to rebuild the industrial capacity, above all the productivity, of the American economy, FDR insisted. Most Lend-Lease credits ($40 billion) were *never repaid in any form.* But the $50 billion in credits issued through RFC were repaid in full.

Are there revenue sources for the new Treasury bond issues of the Economic Recovery Act?

The Infrastructure Plants Corporation that the ERA creates will lease many industrial plants to contractors for infrastructure; and much of public infrastructure involves fees paid by its users. Thus, there are many income streams that Congress can dedicate, in amending this Act, to reserve funds that support the credits issued to the Corporation.

But the fundamental support of this bond-credit issuance is the increased productivity, and technological and scientific level given to the American workforce and the entire productive economy by this modern-infrastructure "driver." Studies ever since the 1960s Apollo Project have shown that such high-technology infrastructure investments generate about $6 billion in direct and indirect income in the economy, for each $1 billion spent on them by government. The steadily increasing future tax revenues generated by this infrastructural investment, give the Treasury the capacity to retire these bonds as a matter of policy—*if* they are issued as long-term, low-interest special-purpose bonds not subject to short-term market speculations. This is served by the financing method of the Economic Recovery Act.

Will this Congressional action create new jobs?

If Congress authorizes issuing $200 billion in credits immediately, this retooling and infrastructure-building mission can generate more than 5 million new skilled and semi-skilled jobs. Each $1 billion in infrastructure investment can create more than 45,000 such jobs.

Hundreds of thousands of people have lost employment in the auto and auto-supply plants in just the last five years; and those plants—not only the ones now targetted for closure or sell-off by the manufacturers—are typically operating with a fraction of the workforce they once had.

But more: Regional, state, and local infrastructure rebuilding projects combine factory-built machinery and other elements of the new infrastructure, with large construction sites requiring semi-skilled and labor-intensive employment. For example, the replacement of the 19 obsolete locks and dams on the Ohio River Mainstem system alone, would generate approximately 20,000 construction-site jobs for a several-year period. Or the necessary repair and rebuilding of large numbers of neglected, obsolete, at-risk dams among the nation's 10,000 "upstream" dams, alone could require the employment of 100,000 people, if done expeditiously.

What institutions will carry out the infrastructure projects?

The U.S. Army Corps of Engineers (USACE) can serve as the lead engineering agency for these new infrastructure projects, in cooperation with Cabinet-level Departments of the Federal government such as Transportation, Agriculture, Energy, and Housing and Urban Development. Expansion of the Army Corps is needed as a key element of increasing the strength of the U.S. Armed Forces as a whole, and their capability for nation-building.

An institution like the 1930s Civilian Conservation Corps (CCC) could play an important role, in recruiting unemployed and underemployed workers, and young people, particularly from urban and poor rural areas, into these public works. Legislation which would do this, the Americorps Infrastructure Corps Act, was introduced in the 109th Congress.

What about the automobile manufacturers? Could this action by Congress save Ford from bankruptcy, for example?

During the World War II mobilization, the auto manufacturers themselves, and other companies which bought or leased their plants, and the RFC's Defense Plants Corporation itself, all retooled and operated the auto plants for war production contracts. The same can be true in this mobilization to retool the closing and underutilized auto plants for the bill-of-materials of new infrastructure.

The major manufacturers will be able to rethink their off-shoring, plant-closing policies, despite hedge-fund, equity-fund, and other shareholder demands, if they have the national vision to do so. As Lyndon LaRouche noted in 2005, after a statement by William Ford, III on the auto crisis, "The answer is to diversify the product line. The key to any sane approach is to accept the reduction in the number of automobiles produced by U.S. automakers, but to replace that work immediately with a switch to other categories of technologically very high-grade products which the auto industry's machine-tool capacity is uniquely qualified to design and produce."

What about other Democratic infrastructure proposals, like the current Kucinich-LaTourette bill, or the Rebuild America Act of 2003?

These legislative initiatives were proposed as oases in the desert of almost complete neglect of our nation's economic infrastructure by Congress, over the past 15 years or so. But their proposed total investments, on the order of $50 billion, are much too small to give the kick-start needed to recovery for this collapsing physical economy. Immediately needed new investments in transmission systems alone for electric power—look at the mounting blackouts of recent years—are $100 billion, says the Electric Power Research Institute (EPRI). And the nation's major electric power companies plan only a small fraction of that investment. Deregulation has contributed to a widespread neglect of these investments. This is a Federal mission requirement now.

The scope of just this one aspect of electric power investment alone, shows the magnitude of the jump-start needed to the U.S. industrial economy and its productivity. These other legislative proposals have compromised with the "no big spending" axioms of globalization and free trade.

Wouldn't returning to "fair trade" regulation be able to revive American industry?

A return to the traditional fair trade policies characterizing the American System of economy, including even strong protection of domestic auto and other industrial production, is needed from the 110th Congress. It is an example of the reversal of globalized "free-trade" policy, needed to stop the collapse of industrial jobs devastating many states and regions.

But for the auto industry, fair trade measures cannot reverse the decline under way in auto sales and production in North America. And for the economy and the American workforce, it is not even desirable to do so.

For the economic recovery from this collapse, the machine-tool capabilities of the auto industrial sector have a unique role to play—not more auto production, but the design and tooling of the elements of a new, 21st Century economic infrastructure.

How does this compare with the "Infrastructure Commission" ideas coming from Felix Rohatyn?

Rohatyn and his co-thinkers among bankers and some influential economic think-tanks, are proposing *privatization of existing infrastructure,* with almost no public investment in new infrastructure.

Rohatyn's proposed "National Infrastructure Commission" is a self-admitted scheme for putting a committee of bankers and their "experts" in position to approve or block all proposed infrastructure investments, including those by government.

This amounts to private looting of the public infrastructure the nation has already built, and an increase in its costs to the public. See the article following for details, and scandals.