# The Economic Recovery Act of 2007

*This draft legislation is being circulated to Congress by the LaRouche Political Action Committee (LPAC).*

**1. TITLE: THE ECONOMIC RECOVERY ACT OF 2007**

**2. FINDINGS**

Congress finds the following:

A. America's vital economic infrastructure, once unparalleled after the work of President Franklin Roosevelt's administrations and war mobilization, has been neglected for decades and deprived of significant investment. U.S. infrastructure is undergoing a manifest breakdown, with loss of economic productivity and increasing danger to life and limb of citizens.

This is occurring at the same time that the credit markets are in a crisis threatening general collapse, as a result of years of unbridled speculation in consumer and corporate debt bubbles. The United States requires, immediately, massive investments—on the order of *hundreds of billions of dollars annually*—in a new, high-technology national economic infrastructure.

B. There exists no prospect for private capital investment in infrastructure on any significant scale. This private capital liquidity itself, increasingly, does not exist; it was based upon speculation in debt bubbles. And when it did exist, until recently, in apparently huge volumes for investment, the rates of return demanded by this global ocean of speculative capital did not allow its investment in economic infrastructure.

"Public-Private Partnerships" have not built any infrastructure; they have merely purchased infrastructure that the people of the United States and the several states had built—and looted it for its cash streams.

Modern infrastructure requires investments through the emission of Federal credit at 1-2%, no more, with a long-term maturity, though not as long as the economic life of the infrastructure it is building.

C. Government may thereby reactivate, under private contracts, the private sector's potentials to contribute to infrastructure building—not via Wall Street; the City of London; Greenwich, Connecticut; and the Cayman Islands—but in the auto industry's endangered machine-tool capabilities, those of the aerospace sector, the power and steel industries, the construction industry and its workforce, and so forth.

That is the included purpose and intention of this Act.

D. The United States suffers a worsening crisis in its public infrastructure. This breakdown is clear: in the failure of water control, transportation infrastructure, and power infrastructure in the Gulf states during Hurricanes Katrina and Rita; in the long heat-blackouts of hundreds of thousands in major cities in Summer 2006 due to failure of obsolescent power distribution networks and inadequate power capacity; in the lack of refinery capacity and dependence on oil imports; in the spread of freshwater crises throughout the Western half of the country in the past decade.

The United States lacks railroad and mass transportation infrastructure, with shrinking air travel grids; its electric power infrastructure is falling behind under deregulation; it has lost fossil water and freshwater supplies for irrigation, and has inadequate drinking water supply in rural regions; its water control—especially upstream dams—and river navigation infrastructure are obsolescent; it has insufficient port and landside port-rail infrastructure; and insufficient hospital infrastructure for any serious public health crisis. This is given only a minimal estimate in the American Society of Civil Engineers' "infrastructure report card" which estimates the need for $1.7 trillion in investments merely to repair and replace obsolescent and broken-down infrastructure.

1. Each $1 billion of Federal funding invested in new, modern infrastructure creates approximately 50,000 jobs and $6 billion in economic activity.

2. States, cities, transit authorities, airport authorities, and other entities have thousands of ready-to-go infrastructure projects, which will create long-term capital assets for the United States and which can help stimulate the nation's economy.

E. Under the impact of "globalization," there is a massive and ongoing loss in the machine-tool capabilities of the U.S. economy. This danger is centered in the accelerating "outsourcing" and shut-downs of plants in America's most important and versatile machine-tool industry, the auto industry. Eighty million square feet of auto capacity are being closed and machinery auctioned off over the 2006-08 interval, more capacity lost than in the last 30 years combined. Sixty million square feet of aerospace/defense capacity are closed and machinery auctioned off since 1990. U.S. consumption of machine tools is only 60% of the 1980 level; of that consumption, 60-70% are imported machine tools; much of this stock, in turn, is being destroyed or sold off overseas as plants are closed; machining vital to national security, including defense and aerospace production, has been and is being outsourced.

F. The machine-tool sector is the core of an industrial economy where scientific and technological ideas are turned into new economic reality. If the U.S. auto-manufacturing industry is destroyed, the U.S.A. becomes a virtual "Third World" nation overnight. The nation's machine-tool design capability, most of which is tied up in the U.S. auto-manufacturing and supply firms, is lost. The loss of the tool-making and closely related capabilities of that sector of industry would cause incalculable, chain-reaction consequences, within our nation, and also the world at large.

The loss of auto and auto-parts plants means an economic disaster, approaching ghost-town proportions, for entire towns, counties, and cities, even states of the union, which are already highly vulnerable.

The loss of employment of that machine-tool design segment of that part of the labor-force, means many times that number of skilled and unskilled employees out of jobs.

G. We must 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. The alternative mission for this purpose is chiefly in the category of needed, new economic infrastructure.

**3. PURPOSES**

Congress adopts the following purposes:

A. To create a National Infrastructure Bank, with a long-term capital credit capacity of up to $5 trillion.

B. To reverse by Federal investments the neglect, decay, and deregulation of critical economic infrastructure of the United States; and to foster the building of projects of a new national infrastructure using 21st-Century technologies of transport, power, navigation, water purification, and others.

C. To prevent the wholesale loss of the U.S. machine-tool sector, particularly the auto industrial-machine tool sector and its skilled workforce; since it is rapidly being lost, Congress must act with speed and force.

D. To preserve a national strategic machine-tool design and production capability and associated skilled workforce, from among auto industry plants otherwise being idled and discarded and their production outsourced by the automakers.

E. To save skilled and industrial jobs, and to create new such jobs, by retooling these idle plants and capacity, to machine and produce the bill of materials for infrastructure projects in power, rail, transport, water management, and energy; to create many tens of thousands of semi-skilled and unskilled construction jobs indirectly, through the construction projects involved in the building of new infrastructure.

F. Congress adopts for these purposes, the model of functioning of the Reconstruction Finance Corporation (RFC). and its amendment, the Defense Plant Corporation (DPC) Act of 1940.

**4. TITLES:**

**Title 1. A National Bank for Infrastructure** is created, under the Constitutional authority of the Congress and the Department of the Treasury to emit credit and currency for purposes of promoting the General Welfare of the citizenry.

**Title 2: Infrastructure**. The National Bank for Infrastructure shall fund and carry out, and may aid other public agencies or corporations and state or local government agencies in carrying out, projects of new, modern economic infrastructure including a) passenger and freight rail transportation, including regional and national high-speed rail corridors, magnetic-levitation trains on priority routes, and light-rail and mass transit systems; b) electric power production, including third- and fourth-generation nuclear power plants, and electric power distribution systems; c) freshwater purification and desalination infrastructure, d) modern water-control and water-management systems; e) ocean ports and inland navigation freight-transport systems; f) hospitals and public health infrastructure.

EIRNS/Andrew Spannaus

*An abandoned steel plant in Bethlehem, Pa., 1999. Such wasted potential exists all around the country, and needs to be restored and modernized to meet the needs of a massive infrastructure buildup.*

**Title 3: Funding of the National Bank for Infrastructure**. The Bank shall be provided a capital-budget stock by issuance of 2%-interest, long-term special-purpose bonds by the Treasury to the Bank, for discounting at Federal Reserve banks. The corporation shall be under the authority of the Secretary of the Treasury.

A. The authorization of issuance of credit from the Treasury, through issue of special-purpose bonds to this Corporation, is up to a limit of $200 billion in each of Fiscal Years 2008 through Fiscal 2011; and $300 billion in each of Fiscal Years 2012 through 2016.

**Title 4: Board**. The National Bank for Infrastructure's Board of Directors shall include the President; the Secretary of the Treasury; the Deputy Secretary of the Army for Civil Affairs; and the Secretaries of Transportation, Agriculture, Energy, Education, Labor, Housing and Urban Development, and Health and Human Services.

**Title 5: Federal Infrastructure Plants Corporation**. A Federal public corporation is created, the Federal Infrastructure Plants Corporation, to assume control of, and operate—directly or by contract—the discarded and unused plant-and-equipment capacity of the automobile/auto supply sector; and other unused industrial facilities, military bases, or shipyard facilities.

A. The Corporation is authorized 1) to produce, acquire, and carry strategic machine tools and other industrial machinery needed to produce the bill of materials for infrastructure projects; 2) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase, and produce equipment, supplies, and machinery for the manufacture of bills of materials for new economic infrastructure; 3) to lease such plants to private corporations to engage in such manufacture; and 4) to engage in such manufacture itself.

B. The Corporation may make loans to, or purchase the capital stock of any corporation for the purposes of Title 3A.

C. The Corporation is further authorized to contract with state or local agencies wishing to use idled auto plants and machinery for infrastructure projects, subject to Title 5D; or to contract with firms wishing to lease auto plants and machinery for such contracts, subject to Title 5D; or to purchase auto product lines and auto-supply product lines where necessary to prevent loss of industrial employment to foreign producers.

D. Contracting and Employment: The state, local agencies, or contractors are required 1) to maintain all plant facilities open and in repair, and at least maintain work levels, 2) to provide for preferential hiring of members of the pre-existing workforce who want to continue to work at the plant facilities, 3) to be subject to Davis-Bacon rules for Federal contracting, 4) to spend 90-95% of issued funds within two years of commencement of the project.

**Title 6: Engineering Survey of Plants and Facilities**. An engineering survey of these plants and other facilities shall be carried out by the U.S. Army Corps of Engineers (USACE) within six months of enactment of this Act, to determine and plan for their potential employment in producing the bills of materials for modern infrastructure projects.