

Charting a Course for a National Infrastructure Revival

by Norman Anderson

As the United States struggles to rouse itself from its economic slumber, the country is beginning to keenly feel the need to lay down a foundation for a new and vibrant economy. A concerted effort to modernize our infrastructure must top any checklist for recovery. The backbone of our economic system has suffered from years of neglect – budgetary, conceptual, institutional. With his recent request for \$4 billion to create a National Infrastructure Innovation and Finance Fund, it's encouraging that President Obama seems to understand how essential an infrastructure revival is to our prosperity.

But such a fund is not nearly enough to bring our infrastructure into the 21st century. And simply devoting money to projects will not lead to results unless we have a clear strategy for revitalizing and reinventing our roads, bridges, railroads, mass transit, and other structures and systems essential to sustaining productivity.

To put it plainly, our current infrastructure model is exhausted. We currently invest 1.3 percent of GDP in infrastructure; in 1980, we invested over three percent. Worse, we are investing in the wrong kind of infrastructure. Right now, we are barely covering replacement costs for a system designed 50 years ago – and which now badly needs

updating just to keep up with the rest of the world.

For our country to be globally competitive, we will need to nearly triple our level of infrastructure investment each year over the next 10 years, from the current \$150 billion level to at least \$400 billion per year. And we will need to think differently about infrastructure, designing projects and promoting firms that are carbon neutral, highly innovative, and transformative.

These goals will require a fundamental shift in orientation, and a new conceptual framework for infrastructure. To see infrastructure through a new prism, we need:

- ***bold leadership that inspires Americans to dream big about infrastructure again***
- ***an uncompromising competitiveness agenda that puts us on track to keep pace with -- and lap -- nations like China***

From that perspective springs three specific ideas on how to get us on a course to an infrastructure revival:

- ***a true National Infrastructure Bank***
- ***a new, NASA-equivalent agency for infrastructure***
- ***a new focus on the design and aesthetics of infrastructure projects***

About the author

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A Conceptual Framework for Infrastructure

First, the country needs a positive and unified infrastructure **vision** that ties together immediate job creation and long-term productivity. The last time the country had a grand vision for infrastructure was 60 years ago with the Interstate Highway System.

In a sense, we need to learn how to *think* about infrastructure again. Without an organizing vision, we are unmoored. In our current mindset, any project will be just as good as another. The discipline of setting priorities, and of creating and following

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budgets to reach toward an inspiring and ambitious vision, has disappeared. The Greatest Generation conjured up the last coherent vision for U.S. infrastructure. Now we need to create – and execute – a new vision for the next generation.

Second, we need to place the issue of **competitiveness** at the center of the debate. Like boiling a frog by gradually raising the temperature, the current catastrophe happened slowly, without our noticing until it was too late. For instance, China is investing \$300 billion in high-speed rail through 2020, while we congratulate ourselves on a measly \$8 billion down payment on a system that lacks vision, institutional support, or a budgetary glide path.

Now that we've noticed how far behind we've fallen, we have to look at infrastructure through

the lens of global competitiveness. We need to be able to make, move, and deliver things much more cheaply. We need to give people better, cheaper, quicker, and cleaner options for moving themselves around the country. And we need to make sure that our water and air quality are measurably world-class. There are many ways to think about competitiveness, but having the right infrastructure, built and operated at a world-beating price, is the place to begin.

From Concept to Execution

But vision and motivation aren't enough. We also have to execute – to get the mechanics right, and quickly. The third challenge that we need to overcome is that of funding. Specifically, we need a long-term source that will be reliable and impervious to changes in political administrations. Such an agency will also need the authority to select and seed priority infrastructure projects and systems.

A **National Infrastructure Bank** would fill this void. The bank would be capitalized through the sale of infrastructure bonds to middle-class Americans, who would triply benefit from their investments – contributing to better infrastructure, directly engaging in the creation of a stronger country, and individually benefiting from coupon returns on their investment.

The bank would cover all infrastructure sectors, from transportation to water to energy, and would need to be capitalized at a level of at least \$400 billion over 10 years, yielding a minimum of \$160 billion a year in strategic infrastructure investments. The National Infrastructure Bank would be a strategic and necessary complement to the Obama administration's highly successful Build American Bonds program. Overall, this effort would create between two million and

2.5 million new jobs per year for the next 10 years.

We also need a high-functioning public sector – and one viewed as such by the public – if we are to rebuild our infrastructure. More than in most areas of the economy, there is a productive tension in infrastructure policy between the market’s ability to identify opportunities and the long-term wisdom the public sector can provide. Without a strong public sector, this necessary balance – identifying opportunities and creating jobs

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now, while ensuring benefits for the next generation – will fall out of balance. Private sector energy will never be unleashed on our infrastructure challenges unless there is a strong, high-functioning, and strategic public sector with which it can reliably and aggressively partner.

Today, the public sector – and particularly the infrastructure public sector – is neither seen, nor treated, as an indispensable arm of a successful state. A network of agencies are involved in different fiefdoms of infrastructure, from the Federal Highway Administration to the Department of Energy to the Environmental Protection Agency. This needs to change. We need **an equivalent of NASA for infrastructure**, a powerful new federal agency that could drive vision and policy at all levels.

Fifth, we must **bridge a design gap**. The U.S. has fallen into a budget trap in infrastructure. We are so pressured by budget issues and

the threat of cost overruns that we design our projects without much attention to the inherent grandeur of infrastructure. We seem to be governed by a belief that the aesthetically pleasing is more expensive than the pedestrian, when the reverse is actually true.

Bridges, airports, subway stations, highways, and high-speed rail stations are powerful symbols that define a country and its capacities. Projects and the networks they serve say something about how a nation views itself. Crumbling infrastructure, cut-rate design, and the absence of super projects all suggest not only a lack of confidence – they saddle us with inferior infrastructure well into the future.

Conclusion

We have to establish economic priorities to get ourselves back on our feet. Making strategic decisions on our infrastructure is essential to bring vibrant and equitable growth. The Obama administration needs to fill the voids in our infrastructure policy as soon as possible. Under the right leadership, a recalibration of our infrastructure outlook and priorities can create up to five million jobs in the short run, erasing the losses of the last two years and ensuring an extraordinarily productive future for the next generation.

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