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'Infrastructure bank needed to patch up U.S. bridges and tunnels'

American roads and bridges are in bad condition, and Joe Biden's infrastructure plans will do little to change that. Support is growing for the creation of an infrastructure bank, which would provide loans independently. This could boost the faltering economy and create 25 million new jobs.

It was a typical event early this year: just before President Joe Biden came to Pittsburgh to tout his infrastructure plans, the much-used Fern Hollow Bridge collapsed. No one died, despite several vehicles and even a city bus passing over it. That would be an unlikely result if all U.S. bridges labeled "bad" would fail, as there are as many as 46,154, according to the American Society of Civil Engineers. 'Wonderful that Congress has allocated money for Biden's infrastructure plans, but it's not nearly enough,' says macroeconomist Alphecca Muttardy. 'We need an infrastructure bank to fund projects across the country, fight congestion and re-industrialize the economy, without tax increases.'

\$5 trillion

We can hardly imagine it in the Netherlands, but driving inland in the U.S., you soon encounter roads with deep potholes and rusted bridges. The crucial Hudson River tunnels between New York and New Jersey are in abominable condition, the Mississippi River bridge connecting Tennessee and Kentucky is even closed for long periods of time due to broken main girders. Across the country, farmers cannot get their crops to market because bridges can no longer support tractors. The same is true for freight trains.

The National Infrastructure Bank (NIB) should be able to deal with these immense problems. This public bank should lend a total of \$5 trillion at low interest rates to municipalities and states. The group of economists and politicians pleading for its establishment is not just about patching up neglected and broken roads, bridges and tunnels. The bill for which they are seeking support should pave the way for a bank that would also pay for the construction of a network for high-speed rail, broadband Internet and replacement of lead water pipes. These are areas where America lags far behind Europe. Key NIB agenda items also include combating water shortages in the Southwest and building some 7 million affordable homes. Can't you address those issues through the budget? 'No, the investments needed are far too large for that,' says Muttardy, former IMF officer and driving force behind the NIB. 'Moreover, a big advantage is that a bank gives the clout to tackle multiple tasks at the same time. That works more efficiently and economically.'

Alexander Hamilton

An infrastructure bank is not a new phenomenon for America. The country has already had four. The first dates back to just after the American Revolution of 1776 and was conceived and founded by Alexander Hamilton, America's first Treasury Secretary. By far the best known and largest was the Reconstruction Finance Corporation (RFC). Founded in 1932, it played a key role in Franklin D. Roosevelt's New Deal policy. The RFC pulled the U.S. out of the Great Depression and was disbanded in 1957 for success. The US had its act together: in the 1960s, some 4 percent of Gross National Product (GNP) went to infrastructure construction and maintenance. By comparison, anno 2022 the figure is 2.4 percent. The disturbing C- grade the American Society of Civil Engineers (ASCE) gave the country's infrastructure this year can be traced back to this. ASCE also calculated the required investment amount of \$6.1 trillion - Biden's infrastructure plans fund only a modest portion of that.

Creating money

How do you capitalize an infrastructure bank? Simple, by raising seed capital on the private market. That means money from investors, pension funds and foreign banks. For them it is interesting to buy in and acquire preferred shares because it earns interest. As silent partners they get an extra 2 percent. Once the initial capital of \$500 billion is in, the NIB can do what any commercial bank does: issue loans, thus creating money to carry out infrastructure works. 'The only difference is that money left over on loans ends up in a trust fund meant for providing endowments to low-income areas. This remains a public bank; every area should get the same high-quality projects.'

Most likely, the bank would charge about 2.7 percent interest. If the NIB actually lent 5 trillion, it would generate roughly 120 billion a year.

Congress

Sounds like common sense to establish such a bank. So why hasn't it happened yet? The problem lies with Congress, says Muttardy. 'That has the idea-fixe that you have to regulate everything through the budget, and also doesn't want to lose its power. Since political

relations are highly polarized, little happens in practice.' That's why the NIB coalition is engaged in a nationwide campaign to get states, senators and investors excited about the idea of an infrastructure bank. What that has accomplished? After two years of "town hall meetings" via Zoom, support is growing within Congress, from both Democrats and Republicans. Eight states, including the giant California, have passed resolutions in favor of a bill enabling the NIB. Unions are also enthusiastic. Logical, since NIB initiators have calculated that the bank could cut some 25 million jobs.

'RFC saved capitalism'

Is there no resistance from politicians because of the plan's "leftist" signature, reminiscent of New Deal politics often labeled "socialist"? 'That's utter nonsense,' exclaims Steven Fenberg, the Emmy winner who wrote the book "Unprecedented Power" about the Reconstruction Finance Corporation. 'The RFC, on which Roosevelt's economic policy leaned, actually saved capitalism!'

At its founding at the depths of the Great Depression, 25 percent of the labor force was unemployed, the Gross Domestic Product had been cut in half and the stock market had collapsed. People were eating grass to keep from starving. Cheap loans from the RFC allowed citizens and businesses to rebound. Entrepreneurs had the opportunity to refinance their businesses, office buildings and hotels. In addition, the RFC provided loans for the construction of bridges, tunnels, locks and a nationwide rail network. Also important was the construction of the Interstate highways, which are still considered the backbone of the country. San Francisco's famous Bay Bridge would never have been built without the RFC; the nationwide power grid dates from the same era. 'The bank even gave loans to citizens and businesses to buy electric machines, radios and refrigerators and connect them with the modern era,' Fenberg says. 'A similar mechanism can now help us to save energy by improving the energy efficiency of homes and businesses.'

Moreover, the RFC enabled the U.S. to win World War II: when Roosevelt could not get permission from Congress to prepare for a possible war, he turned to the RFC. 'That began building huge factories for planes, tanks, trucks and naval ships two years before the attack on Pearl Harbor. This allowed us within a few years to produce more than Germany, Japan and Britain combined,' Fenberg says. 'Nobody knows how the war would have ended without the RFC.'

The RFC made a profit even in the depths of the crisis. So why was it disbanded again? Because the bank was never meant to pull the cart permanently, Fenberg says. It was a means of dealing with the crisis. 'That's exactly why we need one again now.'

Inflation

Doesn't the looming recession and skyrocketing inflation complicate the plan for an Infrastructure Bank - creating even more money? Precisely not, says Muttardy. The current response of the Biden administration is to raise interest rates. 'Such a disastrous monetary policy leads to slowing economic growth and rising unemployment,' she says. 'An infrastructure bank does the opposite. It increases productivity and shields us from exploding food prices through targeted investments. Indeed, without rapid action to address our transportation system and water supplies in our key agricultural areas of the Southwest,

that is inevitable. The NIB gives the entire U.S. economy a boost at a time when recession is looming.'

Netherlands

Wouldn't an infrastructure bank be a good idea for the Netherlands? After all, we too are bumping up against major investments: tackling outdated bridges, expanding the electricity grid, making buildings more sustainable and reinforcing homes in earthquake zones. It certainly could be done, Alphecca Muttardy thinks. 'Countries around the world have adopted Alexander Hamilton's idea. Japan and Canada have one and China even has three. But there is already a European Development Bank that EU member states can call on.'

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