



To: Interested Parties
From: Michael Moynihan
Date: September 23, 2008
Re: Accelerating the Development of a 21st Century Economy:
Investing in Clean Infrastructure

The debate now underway in the Congress on a financial bailout is not the only important piece of business before the Congress in its waning days. With a real economic recession now all but certain, Congress is considering a second stimulus package. But at this critical moment in our nation's history, *how* Congress addresses the need to get our economy moving again may be as important as *whether* it passes a second package. Hindsight shows that the tax rebates provided in the first package were spent mainly on foreign oil and other imported goods. A second round of rebates will do little to jumpstart the economy. They will do even less to address America's long-term economic challenges -- coping with higher energy and commodity prices and increasing the incomes of working families who have faced stagnating incomes for years. Fortunately, there is a way to stimulate short-term demand while investing in our future. Congress should move forward on a stimulus package that includes investments in new, clean infrastructure.

Infrastructure investments have an innate appeal as stimulus measures. America's infrastructure needs are so great, and funding so scarce, that a long list of projects are teed up and ready to go, lacking only disbursements to begin stimulating our economy while creating the basis for future growth. Infrastructure spending stays at home and, for that reason, has a higher multiplier effect than money spent on imports. And, in general, construction jobs pay well, particularly for those who lack a college education. For these reasons, Speaker Pelosi and other leading Members of Congress have included infrastructure spending measures in the packages they have proposed.

The shock to our economy this summer from soaring energy prices showed that our infrastructure needs going forward are both greater and different than they appeared until recently. America's physical plant, from the types and location of buildings to our transportation network to the electrical grid, was not built for \$4 per gallon gasoline. As we look at higher energy prices -- not just for oil, but also natural gas and coal, whose prices have steadily risen as well -- and the challenge of climate change, we must also look at retiring our nation's outdated energy-inefficient infrastructure and replacing it with a new low-carbon, efficient infrastructure that is second to none.

Travelers to Asia and the Middle East leaving from New York's Kennedy Airport may

rightly wonder which part of the world is developed and which is developing. The state-of-the-art infrastructure that China displayed at the Olympics will power immense productivity improvements in coming decades. And while the headlines are still of pollution and dependence on dirty coal, China is moving rapidly ahead with building a smart electrical grid that automatically switches power to where it is needed, investing in biofuels and electric cars, building out solar infrastructure and creating a fast-growing, dynamic economic sector. In contrast, unless we put in place incentives to retrofit or replace it, our old physical plant will be a drag on productivity and growth in coming decades.

Below are six proposals NDN offers to accelerate the building of clean infrastructure now. Each of these will help get money onto the street quickly to stimulate demand, help American families solve problems related to high energy costs and build the clean infrastructure America needs to compete effectively in the 21st century. Congress should pass legislation to:

- ✓ **Fund the National Infrastructure Bank** to leverage federal resources to fund worthy, approved clean infrastructure projects (which would not only increase funds available to infrastructure, but also represent a vast improvement over the earmark system).
- ✓ **Modernize the electrical grid** through use of smart computer technology and more transmission capacity, both to manage demand and move America's tremendous wealth of wind and solar power to where it is needed.
- ✓ **Provide tax credits for Americans to winterize their homes** as the cold weather approaches.
- ✓ **Provide tax credits for the purchase of Energy Star appliances** to reduce demand for electricity.
- ✓ **Provide aid to states and cities** to expand mass transportation service and perform maintenance on overburdened systems.
- ✓ **Provide a tax credit to people who buy a new, fuel efficient car** and take an old gas guzzling jalopy off the road, which has the added bonus of aiding the weakened automobile industry.

There are other ways for Congress to promote clean infrastructure going forward -- through funding rail, promoting green national building standards and updating our electricity regulation regime to promote distributed generation of renewable power, among other approaches. But these six proposals can help us move toward clean infrastructure now as we get the economy moving again.

Our nation now faces a critical choice: do we make 20th century investments or do we invest in a 21st century economy -- clean infrastructure, renewable energy and new skills

for our workers? If Congress takes these steps, it can pass a stimulus measure that will not only create jobs and help our economy in the short term but also accelerate the creation of a prosperous 21st century economy.