Lawrence H. Summers
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Thank you very much Bob for that. Sometimes it's better to be introduced by you then to be introduced with you. I remember the time in late 2000, when someone introduced the two of us and the introduction went something like this: Bob Rubin is the best Secretary of the Treasury since Alexander Hamilton. Larry Summers is the best Secretary of the Treasury since Bob Rubin.

I am glad to be here, and glad to be addressing a consequential set of issues. Let me say at the outset that I share the general judgment that runs through the papers to be presented here, that the greater application of economic logic and analysis can do an enormous amount to support wiser infrastructure investments, and equally important, more effective use of the infrastructure investments that we have already made, to the very great benefit not just of measured income and GDP, but also to the quality of lives of American citizens.

Those are in economic parlance the microeconomic and growth aspects of infrastructure investment, and ultimately they are probably the more important set of issues that are involved when one is talking about infrastructure. Speaking intelligently about them requires detailed microeconomic knowledge of infrastructure issues which I lack. I am therefore going to talk about when I know about, a little bit maybe, and is perhaps consequential at this instance. And that is the macroeconomic and cyclical aspects of infrastructure investment decisions. I had a clear view on this question in January, and I continue to think that on the basis of all the facts and data available in January it was a reasonable view to have. That view was that in a context where it was not clear that the economy would perform, where there was a case for very rapidly delivered, short-term stimulus, the appropriate emphasis was elsewhere, away from infrastructure, and on tax and other measures that could be delivered more quickly, not because I felt infrastructure investment was unimportant, but because I felt that infrastructure investment decisions were best put in a longer term context.

I think that was an entirely reasonable view, based on the data available at that time, and my own reading of the evidence so far, while it is very preliminary, is that, if anything, the fiscal stimulus that was delivered in the form of tax rebates has been somewhat more effective than one might have expected, but that the economy is somewhat worse than one might have expected because it has been offset in the very consequential increase in energy prices, and other commodity prices. So we have successfully with our tax rebates increased the disposable income of consumers, but unfortunately a different shock, a different and larger shock, has been reducing the disposable income of consumers.

My belief today is that in the context of our current economic situation, the balance of risks favors additional efforts directed at fiscal stimulus for the economy, and that there is a role for infrastructure investment within the overall envelope of that fiscal stimulus program. Why do I hold these convictions? Four considerations strike me as of particular importance. First, the current economic context: I think there is a reasonable argument to be made that our economic situation today is as critical and as uncertain as at any juncture since the current financial crisis began last August. There is increasing evidence that problems in the housing market are not just continuing, but likely to be enduring for a substantial interval. Even with the recent rallies, financial stocks, depending on how you look at it, which are a forward looking indicator of the health of the financial system, are as low or lower as the were at the previous moment of maximum alarm before the weekend when Bear Stearns was bailed out. While there have been favorable fluctuations in the last 6 days, it remains the case that energy prices are at levels that would have been almost inconceivable, even 6 months ago. Consumer confidence is at a low ebb as the measures added to the current housing bill remind us. Questions of capital adequacy loom over the financial system.

In that context, the risks seem to me much more to the downside than they are to the upside. And even if the current cyclical context resolves itself in a favorable way, considering the history of past episodes like this one, economic downturns caused by financial excess giving way to contraction, a pattern very different to the traditional one of the Fed stepping on the brakes. Such contractions have lasting impacts. In the early 90's they were referred to as the headwinds, after the financial problems of the banking system in 1990 and 1991. In this most recent decade, the recession ended at the end of 2001, but unemployment did not reach its peak level until 2004. The prospect that the economy is going to need support for demand over an interval going forward seems to me to be the preponderant probability in the current situation.

The second consideration militating in favor of fiscal stimulus is that I think there is reason to believe today that a significant amount of stimulus can be delivered with reasonable rapidity. It is certainly the case that if you look at traditional infrastructure programs that the lags are very long, that typical federal highway spending, for example, spends out about 25% in the first year. However, when people put their minds to it, they can do much better. If one looks at the several hundred million dollar infrastructure commitment that was made after the bridge collapse in Minneapolis about a year ago, 86% of the money had not just been obligated, but had been spent within a 9 month interval. The sense that there is a backlog that can be moved rapidly is reinforced by the extensive anecdotal evidence of projects have been slowed partially through the process of construction, or that are ready to let, but have been held back for budget reasons.

Some of those budget reasons have to do with the strains that are being felt by state and local budgets across the country. But there is a rather simpler reason why we are not fully delivering on past infrastructure commitments: if one looks at the price of inputs to infrastructure, they have risen very rapidly. Indeed the producer price index for highway construction has increased by 70% since 2004. Whatever infrastructure one thought one was buying with a given budget, appropriated in 2004, 2005 or 2006, is proving not possible to buy with that budget. In that context, it seems to me that it serves the efficiency of project completion, it serves the objective of economic stimulus, and it serves the objective of rapidity to allow those original plans to be carried out, and that means the provision of additional federal support for infrastructure.

The third consideration that I believe militates in favor of beginning now a significant effort, increased effort at infrastructure, is the structural dimension of our current jobs issues. This is not a good time in the American economy for anyone, but after a period of considerable decline in manufacturing, a major source of employment for men with relatively little education, where slack has been taken up, to some degree by construction, we are headed into a structural situation for a double whammy for those less educated men with manufacturing and construction both under great pressure.

Indeed already, and much of the decline in construction has yet to be felt, if one looks at the unemployment rate of men who have dropped out of high school, or men who have only completed high school degrees, their unemployment in ratio to national unemployment is higher than it has been in more than a decade. On the order of 20% of their employment comes from construction jobs compared to only 5% for the overall economy. So even when the economy reverts to a cyclically normal situation, there will be a case for addressing our policies to demand towards the areas where employment demand is most needed, and construction is such an area. And that too points towards targeted stimulus directed at infrastructure

The fourth consideration that militates in favor of inclusion of infrastructure in the context of a discussion of economic stimulus is the longer run consideration. I don't see how anyone who has spent any time looking at American public schools, 75% of which have structural deficiencies; 25% of which have problems in their ventilation systems, or who has had the opportunity to compare Kennedy Airport with almost any international airport to which one could fly from Kennedy Airport, could be satisfied with the state of America's infrastructure.

There was a set of data released two or three days ago by the Pew Foundation that was in many ways the most disturbing data that I have seen in a long time. It reported on a survey of 32 countries in which people were asked whether they were satisfied with the state of the country's economy and whether they were satisfied with the state of the country's direction. Interestingly, and I suppose inspiringly, the answers to the two questions lined up extremely well. People who liked their economy liked their country and vise versa. What was less satisfying was that China ranked first with roughly 80% of the people satisfied. Australia ranked second; Russia ranked third with roughly 60% of people satisfied. And the United States on these measures, ranked somewhere in the 20s with 20% of the people satisfied.

That, I would suggest, makes a case for a redirection of economic policy and a redirection of public efforts in taking responsibility for economic outcomes, and a visible functioning infrastructure is a crucial part of all of that. If it is right, why delay? Why not do everything one can to accelerate the application of prudent investments. Just what are the right criteria investments? Just how should the funds be provided? These are crucial questions, and there is a great deal of insight in the papers to be presented that bears on those questions. But this assessment of the broad macroeconomic context convinces me that there is far more danger that over the next year that we will initiate too little and do too little in the way of infrastructure investment than there is that we will make excessive efforts to repair bridges in America; excessive efforts to rebuild levees; excessive efforts in repairing our schools.

And so I hope that we will move promptly as a country to increase our efforts at fiscal stimulus, and when we do, infrastructure will be an important component.