BROOKINGS

QUALITY. INDEPENDENCE. IMPACT.

To: President-elect Obama

From: Bruce Katz and Robert Puentes, The Brookings Institution

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Re: Invest in Long-Term Prosperity

The Situation

The nation's economic crisis requires attention to the principal drivers of prosperity—infrastructure, human capital and innovation. If leveraged and deployed strategically, these assets can help us achieve short-term job gains, keep pace with the increasing size and diversity of America's population and move our nation toward durable prosperity, based on:

- **productive** growth that boosts innovation, generates quality jobs and rising incomes and helps the United States maintain economic leadership
- **inclusive** growth that expands educational and employment opportunities, reduces poverty and fosters a strong and diverse middle class, and
- **sustainable** growth that strengthens existing cities and communities, conserves natural resources and advances U.S. efforts to address climate change and achieve energy independence.

Given your economic recovery platform, with action on education, energy and related topics, your administration has the opportunity to get the infrastructure investment right. This is critical because:

- Roads, transit, rail and ports speed the movement of goods and people within and across markets, facilitating greater business investment, enhancing agglomeration economies, promoting labor-market flexibility and opening new domestic and international markets.
- Improved infrastructure will assure a reliable energy supply, allowing firms to reduce operating costs, make sound long-term decisions and take full advantage of other infrastructure investments.
- Investments in infrastructure can support sustainable growth by reducing traffic congestion, linking transit to dense residential and employment nodes or supporting clean-fuel technologies.

Major infrastructure projects of the past—such as the interstate highway system in the 1950s—were associated with steep increases in productivity. This productivity has receded in recent decades as investments have lost direction and failed to focus on key areas. Without a national strategy for infrastructure, we are not experiencing the economic benefits of transformational programs like the interstates, the social benefits of iconic programs like rural electrification, or the sustainability benefits of air and water pollution control programs of the 1970s and 1980s.

In the absence of a unified strategy, special interest and congressional politics spread funding around the country like peanut butter on a slice of bread, with no effort to advance national priorities or use cost-benefit analysis to optimize our investments.

Further, current federal infrastructure policies and programs are highly compartmentalized, often working at cross-purposes. In transportation, for example, we are one of the few industrialized countries that fails to link aviation, freight rail, mass transit and passenger rail networks–a recipe for duplication and waste.

Equally disturbing is a pervasive lack of fact-gathering, analysis and performance assessment for the hundreds of billions of dollars spent. We cannot manage what we do not measure.

In sharp contrast, our global competitors provide impressive leadership. China is building the world's most sophisticated network of ports and freight hubs. Germany is strengthening rail and telecommunication connections among major metropolitan areas and has a master plan for freight and logistics. Spain is a hothouse of wind and solar power production, spawning new specializations in finance, investment and law.

Our competitors also provide intellectual leadership. Canada, India, South Africa and Italy have specialized units throughout various government agencies to develop public-private partnerships. Germany, Britain, Denmark and others are establishing intricate webs of data, metrics, analytic tools and spatial planning techniques to base infrastructure investment decisions on facts and measure progress along clear national priorities. We need similar strategies and discipline.

Your Stance

As a candidate, you put forward a new vision for economic expansion that highlighted the role of our metropolitan areas and brought infrastructure to the forefront, with proposals to:

Strengthen America's Transportation Network: You offered several proposals to improve transportation, such as a national infrastructure and reinvestment bank to support projects that offer maximum return and leverage private financing. Your pledge to modernize our nation's antiquated air traffic control system is essential, and your support of new rail investments—passenger, freight, high-speed—is encouraging.

Invest in New Energy and Electricity: As you have said, achieving energy independence will not be easy. Investing in a smart electrical grid and renewable energy sources, retrofitting homes and other buildings and developing more livable and sustainable communities would help steer us toward independence.

Commit to a Metropolitan Strategy: As you told the U.S. Conference of Mayors last summer, issues like transportation, housing and education are inextricably linked, and they develop strength in metropolitan America. Our metropolitan areas offer more sustainable and efficient development patterns, supported by a range of transportation and infrastructure choices. In the 100 largest metropolitan areas 72 percent of seaport tonnage arrives and departs, 67 percent of interstate miles are traveled, 92 percent of air passengers board and transit miles are ridden and 93 percent of Amtrak passengers board.

Connect Rural America: Rural places do not always need the same infrastructure as densely populated urban areas, but, as you have said, they do need affordable broadband services. And better management of our nation's airwaves can help ensure enough spectrum for public safety and public health use.

The economic recovery package will direct billions of dollars towards infrastructure improvements. But, as you have said, what is most important is that "we won't do it the old Washington way. We won't just throw money at the problem."

Further Recommendations

To achieve such goals as job creation and a green economy—and the even broader aims of productive, inclusive and sustainable growth—we need to *reform* as we invest. Getting it done right is more important than getting it done fast.

In the short term, you should ensure that infrastructure reform is part of the agenda, improve the White House policy structure on infrastructure issues and develop a national infrastructure bank. In the intermediate term, you should articulate a bold national vision on infrastructure, empower state and local governments and commit to evidence-based decisions.

Emphasize Infrastructure Reform: A crucial first step is to restrict substantial funding from the recovery package to investments that:

- secure and rebuild the system
- help transition to a clean, efficient, energy-independent future
- give some direct funding to metro areas, not just states and
- create millions of green jobs.

You should also create a National Recovery and Renewal Commission (NRRC) to oversee spending and develop a long-term strategy for infrastructure development and economic recovery.

Then your Administration should invest in coordinating and sharing information about the projects of the myriad federal agencies that construct, operate, maintain and use infrastructure. The NRRC should thoroughly examine the FY 2011 budget to make federal infrastructure spending transparent. It also should help sequence legislation on climate, energy and surface transportation.

Improve White House Organization on Infrastructure: The National Economic Council, Domestic Policy Council and Office of Management and Budget should coordinate efforts to meet infrastructure goals, and use these goals to guide spending. Climate and urban policy directors should be involved. Indeed, the principle focus of the new White House Office of Urban Policy should be on maintaining close coordination among the policy boards, relevant agencies, as well as the infrastructure commission.

Establish a National Infrastructure Bank: Permanent and independent, this bank would provide financial assistance for innovative infrastructure projects of true national significance, acting where national uniformity is needed or the scale and geographic reach of a problem requires national attention. It would give priority to public-private partnerships that stimulate market-led advances in energy efficiency and transit-oriented development.

Bank-funded projects might unblock major ports and gateways, develop a smart electric grid, modernize air traffic control, upgrade rural telecommunications and broadband networks, and improve and expand intercity passenger rail. Small-scale or local projects should be funded through an enhanced Community Development block grant program.

Present a Bold Vision: Over the intermediate term, your administration should take a rigorously strategic approach to infrastructure policymaking, taking into account globalization and the relationship of infrastructure to community-building and prosperity. It must draw from ideas of other nations and respect differences from one corner of our nation to another.

Empower States and Metropolitan Areas: The federal government needs new partnerships to promote environmental sustainability and strengthen metropolitan economies. A national Sustainability Challenge could be established to entice and fund partnerships that join housing, transportation, energy and other systems across states, localities and the private sector. Projects might cluster mixed-use facilities, build mixed-income housing close to transit stations, institute congestion pricing or extend commuter rails.

Commit to Evidence-based Decision-making: The federal government must replicate the web of data, metrics, analytic tools and spatial planning techniques deployed by other nations. This will enable us to determine how much money to spend and how to spend it better.

Conclusion

Today's fiscally constrained environment demands a new approach to infrastructure policy, allowing us to upgrade our existing infrastructure, expand choices in moving people and goods (and ideas), ease the burden on household budgets and help us attain energy independence. Spending must produce real gains in productivity, inclusion and environmental sustainability—the foundation of short- and long-term prosperity.