

A Table of Organization For U.S. Economic Recovery

A top-down approach is required to provide credit on the scale needed to repair the decayed U.S. infrastructure, and to create the expansion of the physical economic base in the process. There are current and recent bills before Congress that contain many relevant programs for dealing with both emergency projects—typified by the rebuilding needed on the Mississippi River and Gulf Coast, plus for ongoing or new projects, such as high-speed rail. But the question remains: Where will the *trillions* of dollars and *physical capacity* come from to accomplish these tasks?

In June 2006, a draft bill, the “Economic Recovery Act of 2006,” was issued by the LaRouche Political Action Committee (LPAC), outlining the urgent intervention needed from the Federal government, to save the industrial capacity embodied in the U.S. auto/machine-tool sector, being taken down by globalization. On Jan. 23, 2007, it was presented to a hearing on the “State of the Economy,” held by the House of Representatives Ways and Means Committee. But no Federal action was taken, and over a 72-month period, almost the entire U.S. auto industrial sector has been dismembered.

Given the scale of the collapse of infrastructure, as shown by the Twin Cities bridge, on top of the Katrina wreckage, the question is now more urgent than ever: How can the means be found for the mission of rebuilding?

The following is presented as a summary Table of Organization, for how to proceed. Following that is a newly revamped “Economic Recovery Act of 2007,” which LPAC is circulating to Congress now.

I. National Infrastructure Bank

At the top of the entire effort must be a Federal credit mechanism, shown on the schematic here as the National Infrastructure Bank. This facility can be established under the powers of Congress, authorizing it to create debt for the sole purpose of funding approved infrastructure projects—the direct costs, the inputs, and all functions related to accomplishing the job. Thus it operates as a capital source, outside the demands and constraints of the Federal operating budget. Loans can be made at the rate of 1-2% interest, and the appropriate long-term conditions will apply.

There are many precedents for this kind of long-term,

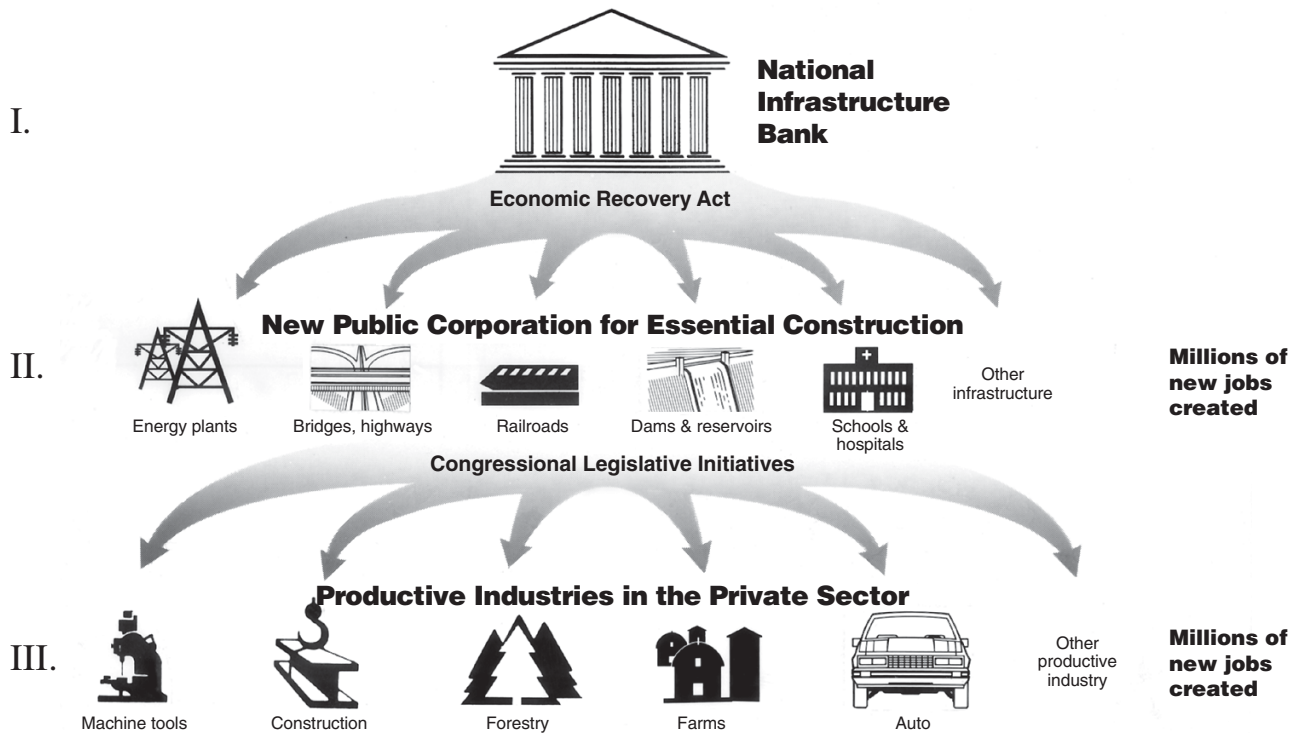
low-interest credit function, on the part of the Federal government. In the early decades of the United States, there were the canal projects and other infrastructure development. During the FDR years, a massive amount of hard infrastructure—bridges, schools, water systems, and the like—was built this way, many of which facilities we still use today.

II. Economic Recovery Act

On the next tier, comes the function of directing the effort and funding for restoring the industrial and infrastructure-building capacity of the nation. As originally laid out, the Economic Recovery Act of 2006 focussed on stopping the take-down of the auto/machine-tool sector, by creating a Federal public corporation to assume control of, and operate—directly, or by contract—the discarded and unused plant-and-equipment capacity of the automobile/auto-supply sector. The entity was called the Federal Infrastructure Plants Corporation, and would also utilize unused facilities in other sectors such as military bases, shipyards, fabricating plants, and so on. In turn, this capacity could be retooled to produce, along with remaining corporate manufacturing, the array of components necessary to refurbish decaying infrastructure: bridge trusses, flood gates, lock valves, and all the rest, simple or complicated. Among the precedents, is the famous period of World War II, when auto plants were converted to tank, truck, and aircraft assembly lines.

Now today, the task of rescuing and regrouping what remains of the pillaged auto sector is vastly harder than it would have been just two years ago. But the principle still stands and can work today as it did in the Second World War. At that time, the Defense Plants Corporation, created under the Reconstruction Finance Corporation in 1940, leased and commissioned industrial capacity with spectacular success.

The heart of making it succeed, is the re-enlistment of the dispersed labor force of the former industrial belt. From western New York State, through to St. Louis, there are the skilled machine-tool and shop-floor workers, design experts, engineers, and others, whose expertise is invaluable. They can confer on the specifics of how to gear up to re-industrialize—what can be made where, how, and by what machines, etc. Over the past five years, these families have been dislocated,



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either underemployed in their home towns, or forced out of state to seek a livelihood. A stream of people from Ohio, Michigan, Indiana, Pennsylvania, and other industrial states, have relocated into suburban Washington, D.C., because their home counties have all but closed down.

They need to be able to “go home,” and rebuild the nation.

The second tier of the Economic Recovery diagram illustrates that if the programs for upgrading energy transmission and generation, especially nuclear power, bridges, highways, and railroads were built, along with waterworks, and so-called soft infrastructure, including schools and hospitals, there would be both a pattern of restored activity in the counties where the projects were under way, plus there would be a massive demand in the newly revived manufacturing counties.

A pattern of “re-population” would be evident, as the outflow would stop from hundreds of rural counties, as well as depressed urban areas.

III. Legislative Initiatives

The third tier of this recovery picture involves carrying out the various Federal, state, and local projects qualified as part of the recovery effort. The schematic illustrates the combined effect this infrastructure drive will have on reviving various productive sectors, from machine tools, to agriculture, to manufacturing capacity.

There are several bills and measures before Congress,

which meet the requirement. There are also thousands of “ready-to-go” projects at the state and municipal level.

The following are indicative.

Rebuilding America’s Infrastructure Act of 2007, H.R. 3400. Introduced on Aug. 3, 2007, by Ohio Reps. Dennis Kucinich (D) and Steven LaTourette (R). Introduced into the past three sessions of Congress, this bill would create a low-cost Federal financing mechanism to administer zero-interest loans to localities and states. The bill is to “improve critical infrastructure in Ohio and nationwide,” such as bridges, dams, levees, water treatment, and other vital facilities.

The United States National Health Insurance Act, or the Expanded and Improved Medicare for All Act, H.R. 676, sponsored by Rep. John Conyers (D-Mich.), was introduced on Jan. 24, 2007, and now has 76 co-sponsors. It mandates health care for all. It calls for a “Capital Expenditures Budget,” to construct or renovate health facilities, and for major equipment acquisition. Under a National Board of Universal Quality and Access, state directors will provide to the Board a health-care needs assessment, including oversight and placement of facilities, new hospitals and new health-care equipment.

The National Infrastructure Corps Act of 2006, H.R. 6181 of the 109th Congress, Second Session. Sponsored by Reps.



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A new span of Washington, D.C.'s Woodrow Wilson Bridge opened to traffic last year, after extensive construction work. There are many bills before Congress to repair the nation's decrepit infrastructure, as well as thousands of "ready-to-go" projects at the state and municipal level. What's needed is a top-down approach to provide funding, and the political will to push the programs through.

William Lacy Clay (D-Mo.) and Major R. Owens (D-N.Y.), the measure expands such existing programs as the National Civilian Youth Corps and the Urban Youth Corps, on the model of the 1930s Civilian Conservation Corps (CCC), to provide employment for the jobless "to repair and replace obsolescent and broken-down infrastructure." Millions of jobs can be created on the thousands of needed projects, in the same way that Harry Hopkins, in the FDR Administration, created 4 million jobs in nearly 30 days for the Civil Works Administration.

Water Resources Development Act of 2007 (WRDA), H.R. 1495, was passed in the House of Representatives on Aug. 2 by a resounding vote of 381 to 40, the first such measure since 2000. This bill authorizes \$21 billion for over 800 water resources projects or studies, to be undertaken by the Army Corps of Engineers. Among them, is the refurbishing of long-outmoded locks and dams on the Upper Mississippi-Illinois Rivers.

Passenger Rail Investment and Improvement Act of 2007, S. 294. Its lead sponsors are Sens. Frank Lautenberg (D-N.J.) and Trent Lott (R-Miss.), and in May 2007, the bill, after unanimous passage in committee, went to debate in the full Senate. The measure would start to rebuild Amtrak passenger rail service. The bill provides \$12 billion in dedicated Federal support, over six years, for Amtrak's operations (\$3.3 billion), capital investments (\$6.3 billion), and for its debt and interest payments (\$2.4 billion). Another key provision

provides \$7.8 billion in capital grants to states for development of rail corridors over six years.

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, Technical Corrections Act of 2007, H.R. 3248, concerns surface transportation projects across the United States. Passed on Aug. 3, 2007 by 422-1 in the House, it modifies a 2005 law—SAFETEA-LU—of the same purpose, and contains among its provisions, Federal support for magnetically levitated rail development. The maglev portion of \$90 million is a bare life-support level. Fifty percent of the funds goes to a demonstration project in Nevada. The remainder will go to one other project, either in Pennsylvania, or Baltimore/Washington, D.C., or Georgia/Tennessee; and a preliminary study of a Philadelphia/New Jersey/New York City corridor. But scaled up, this program could launch maglev routes serving priority development corridors across the continent.

The "Independent Budget for Veterans Affairs", which is prepared yearly by a coalition of four veterans groups, including AMVETS, Disabled Veterans of America, Paralyzed Veterans of America, and Veterans of the Foreign Wars, calls for \$1.602 billion in funding for major construction for the 2008 fiscal year, and another \$541 million for minor construction projects. The IB also identified another \$1.6 billion of needed expenditures on Non-Recurring Maintenance (NRM), such as repairs to roofs, replacement of windows, and upgrades to mechanical or

electrical systems to make up for the lack of funding for NRM in previous years.

A separate review of the Veterans Affairs system for handling disability claims, which presented initial findings at a March 13, 2007 hearing before the House Committee on Veterans Affairs, Subcommittee on Disability Assistance and Memorial Affairs, found a system on the verge of breakdown with a backlog of 600,000 disability claims.

The Pandemic and All-Hazards Preparedness Act, S. 2678, was signed into law on Dec. 19, 2006. It mandates and assigns 2007 funding to several programs which could spur development of human and physical resources for medical emergency purposes, and which could be scaled up as required, including: providing \$22 million to fund the development of the Medical Reserve Corps of volunteers, both health-care professionals and others, who would serve in the event of a large-scale medical emergency; expansion of the Epidemic Intelligence Service Program, adding 20 more officer positions in 2007 for underserved areas for graduates of the Career Epidemiology Field Officer Program; funding to establish Centers for Public Health Preparedness at qualifying public health schools (\$51 million); development of strategies and mechanisms for surge capacity for hospitals and other facilities (\$474 million); establishment of a Biodefense Medical Countermeasure Development Fund (\$1.07 billion) to facilitate development of new medicines and vaccines, and including the ability to establish new research centers to develop vaccines and other countermeasures.

The Commerce, Justice, and Science Appropriations Bill for 2008, H.R. 3093, passed on July 26, raises NASA's FY08 budget to \$17.6 billion, a level that is \$1.3 billion above the 2007 appropriation, and \$290 million more than the President's FY08 request. A strong bipartisan effort garnered the approval, on July 4, of the Senate Commerce, Justice, Science Appropriations Subcommittee for a comparable \$17.5 billion FY08 funding level for NASA.

Despite the Administration's public commitment to the space program, in the form of the 2004 Vision for Space Exploration initiative, which sets goals of returning men to the Moon, establishing a base there, and later mounting manned missions to Mars, the White House has refused to adequately fund it. The five-year projection of the budget needed annually by NASA to meet the program's major milestones, proposed by the Administration and passed by Congress in 2005, has been underfunded by more than \$1 billion per year.

With a clear understanding that the science-driver effect of the space program increases productivity throughout the entire physical economy, especially in technologies and designs of infrastructure, and creates future generations of scientists and engineers, the increase in this budget can play a major role in spurring economic recovery.

The Economic Recovery Act of 2007

This draft legislation is being circulated to Congress by the LaRouche Political Action Committee (LPAC).

1. TITLE: THE ECONOMIC RECOVERY ACT OF 2007

2. FINDINGS

Congress finds the following:

A. America's vital economic infrastructure, once unparalleled after the work of President Franklin Roosevelt's administrations and war mobilization, has been neglected for decades and deprived of significant investment. U.S. infrastructure is undergoing a manifest breakdown, with loss of economic productivity and increasing danger to life and limb of citizens.

This is occurring at the same time that the credit markets are in a crisis threatening general collapse, as a result of years of unbridled speculation in consumer and corporate debt bubbles. The United States requires, immediately, massive investments—on the order of *hundreds of billions of dollars annually*—in a new, high-technology national economic infrastructure.

B. There exists no prospect for private capital investment in infrastructure on any significant scale. This private capital liquidity itself, increasingly, does not exist; it was based upon speculation in debt bubbles. And when it did exist, until recently, in apparently huge volumes for investment, the rates of return demanded by this global ocean of speculative capital did not allow its investment in economic infrastructure.

"Public-Private Partnerships" have not built any infrastructure; they have merely purchased infrastructure that the people of the United States and the several states had built—and looted it for its cash streams.

Modern infrastructure requires investments through the emission of Federal credit at 1-2%, no more, with a long-term maturity, though not as long as the economic life of the infrastructure it is building.

C. Government may thereby reactivate, under private contracts, the private sector's potentials to contribute to infrastructure building—not via Wall Street; the City of London; Greenwich, Connecticut; and the Cayman Islands—but in the auto industry's endangered machine-tool capabilities, those of the aerospace sector, the power and steel industries, the construction industry and its workforce, and so forth.

That is the included purpose and intention of this Act.

D. The United States suffers a worsening crisis in its public infrastructure. This breakdown is clear: in the failure of water control, transportation infrastructure, and power infrastructure in the Gulf states during Hurricanes Katrina and Rita; in the long heat-blackouts of hundreds of thousands in major cities in Summer 2006 due to failure of obsolescent power distribution networks and inadequate power capacity; in the lack of refinery capacity and dependence on oil imports; in the spread of freshwater crises throughout the Western half of the country in the past decade.

The United States lacks railroad and mass transportation infrastructure, with shrinking air travel grids; its electric power infrastructure is falling behind under deregulation; it has lost fossil water and freshwater supplies for irrigation, and has inadequate drinking water supply in rural regions; its water control—especially upstream dams—and river navigation infrastructure are obsolescent; it has insufficient port and landside port-rail infrastructure; and insufficient hospital infrastructure for any serious public health crisis. This is given only a minimal estimate in the American Society of Civil Engineers' "infrastructure report card" which estimates the need for \$1.7 trillion in investments merely to repair and replace obsolescent and broken-down infrastructure.

1. Each \$1 billion of Federal funding invested in new, modern infrastructure creates approximately 50,000 jobs and \$6 billion in economic activity.

2. States, cities, transit authorities, airport authorities, and other entities have thousands of ready-to-go infrastructure projects, which will create long-term capital assets for the United States and which can help stimulate the nation's economy.

E. Under the impact of "globalization," there is a massive and ongoing loss in the machine-tool capabilities of the U.S. economy. This danger is centered in the accelerating "outsourcing" and shut-downs of plants in America's most important and versatile machine-tool industry, the auto industry. Eighty million square feet of auto capacity are being closed and machinery auctioned off over the 2006-08 interval, more capacity lost than in the last 30 years combined. Sixty million square feet of aerospace/defense capacity are closed and machinery auctioned off since 1990. U.S. consumption of machine tools is only 60% of the 1980 level; of that consumption, 60-70% are imported machine tools; much of this stock, in turn, is being destroyed or sold off overseas as plants are closed; machining vital to national security, including defense and aerospace production, has been and is being outsourced.

F. The machine-tool sector is the core of an industrial economy where scientific and technological ideas are turned into new economic reality. If the U.S. auto-manufacturing industry is destroyed, the U.S.A. becomes a virtual "Third World" nation overnight. The nation's machine-tool design capability, most of which is tied up in the U.S. auto-

manufacturing and supply firms, is lost. The loss of the tool-making and closely related capabilities of that sector of industry would cause incalculable, chain-reaction consequences, within our nation, and also the world at large.

The loss of auto and auto-parts plants means an economic disaster, approaching ghost-town proportions, for entire towns, counties, and cities, even states of the union, which are already highly vulnerable.

The loss of employment of that machine-tool design segment of that part of the labor-force, means many times that number of skilled and unskilled employees out of jobs.

G. We must replace that work immediately with a switch to other categories of technologically very high-grade products which the auto industry's machine-tool capacity is uniquely qualified to design and produce. The alternative mission for this purpose is chiefly in the category of needed, new economic infrastructure.

3. PURPOSES

Congress adopts the following purposes:

- A. To create a National Infrastructure Bank, with a long-term capital credit capacity of up to \$5 trillion.
- B. To reverse by Federal investments the neglect, decay, and deregulation of critical economic infrastructure of the United States; and to foster the building of projects of a new national infrastructure using 21st-Century technologies of transport, power, navigation, water purification, and others.
- C. To prevent the wholesale loss of the U.S. machine-tool sector, particularly the auto industrial-machine tool sector and its skilled workforce; since it is rapidly being lost, Congress must act with speed and force.
- D. To preserve a national strategic machine-tool design and production capability and associated skilled workforce, from among auto industry plants otherwise being idled and discarded and their production outsourced by the automakers.
- E. To save skilled and industrial jobs, and to create new such jobs, by retooling these idle plants and capacity, to machine and produce the bill of materials for infrastructure projects in power, rail, transport, water management, and energy; to create many tens of thousands of semi-skilled and unskilled construction jobs indirectly, through the construction projects involved in the building of new infrastructure.
- F. Congress adopts for these purposes, the model of functioning of the Reconstruction Finance Corporation (RFC). and its amendment, the Defense Plant Corporation (DPC) Act of 1940.

4. TITLES:

Title 1. A National Bank for Infrastructure is created, under the Constitutional authority of the Congress and the De-

partment of the Treasury to emit credit and currency for purposes of promoting the General Welfare of the citizenry.

Title 2: Infrastructure. The National Bank for Infrastructure shall fund and carry out, and may aid other public agencies or corporations and state or local government agencies in carrying out, projects of new, modern economic infrastructure including a) passenger and freight rail transportation, including regional and national high-speed rail corridors, magnetic-levitation trains on priority routes, and light-rail and mass transit systems; b) electric power production, including third- and fourth-generation nuclear power plants, and electric power distribution systems; c) freshwater purification and desalination infrastructure, d) modern water-control and water-management systems; e) ocean ports and inland navigation freight-transport systems; f) hospitals and public health infrastructure.

Title 3: Funding of the National Bank for Infrastructure. The Bank shall be provided a capital-budget stock by issuance of 2%-interest, long-term special-purpose bonds by the Treasury to the Bank, for discounting at Federal Reserve banks. The corporation shall be under the authority of the Secretary of the Treasury.

A. The authorization of issuance of credit from the Treasury, through issue of special-purpose bonds to this Corporation, is up to a limit of \$200 billion in each of Fiscal Years 2008 through Fiscal 2011; and \$300 billion in each of Fiscal Years 2012 through 2016.

Title 4: Board. The National Bank for Infrastructure's Board of Directors shall include the President; the Secretary of the Treasury; the Deputy Secretary of the Army for Civil Affairs; and the Secretaries of Transportation, Agriculture, Energy, Education, Labor, Housing and Urban Development, and Health and Human Services.

Title 5: Federal Infrastructure Plants Corporation. A Federal public corporation is created, the Federal Infrastructure Plants Corporation, to assume control of, and operate—directly or by contract—the discarded and unused plant-and-equipment capacity of the automobile/auto supply sector; and other unused industrial facilities, military bases, or shipyard facilities.

A. The Corporation is authorized 1) to produce, acquire, and carry strategic machine tools and other industrial machinery needed to produce the bill of materials for infrastructure projects; 2) to purchase and lease land, to purchase, lease, build, and expand plants, and to purchase, and produce equipment, supplies, and machinery for the manufacture of bills of materials for new eco-



EIRNS/Andrew Spannaus

An abandoned steel plant in Bethlehem, Pa., 1999. Such wasted potential exists all around the country, and needs to be restored and modernized to meet the needs of a massive infrastructure buildup.

omic infrastructure; 3) to lease such plants to private corporations to engage in such manufacture; and 4) to engage in such manufacture itself.

- B. The Corporation may make loans to, or purchase the capital stock of any corporation for the purposes of Title 3A.
- C. The Corporation is further authorized to contract with state or local agencies wishing to use idled auto plants and machinery for infrastructure projects, subject to Title 5D; or to contract with firms wishing to lease auto plants and machinery for such contracts, subject to Title 5D; or to purchase auto product lines and auto-supply product lines where necessary to prevent loss of industrial employment to foreign producers.
- D. Contracting and Employment: The state, local agencies, or contractors are required 1) to maintain all plant facilities open and in repair, and at least maintain work levels, 2) to provide for preferential hiring of members of the pre-existing workforce who want to continue to work at the plant facilities, 3) to be subject to Davis-Bacon rules for Federal contracting, 4) to spend 90-95% of issued funds within two years of commencement of the project.

Title 6: Engineering Survey of Plants and Facilities. An engineering survey of these plants and other facilities shall be carried out by the U.S. Army Corps of Engineers (USACE) within six months of enactment of this Act, to determine and plan for their potential employment in producing the bills of materials for modern infrastructure projects.