Why Can't Congress Even Pass an Infrastructure Bill?

There are strong ideas on the table that transcend ideology and would strengthen the nation. Yet they're going nowhere.

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Among the most embarrassing and unconscionable failures of the 113th Congress has been the inability to act in any way to help the economy through an infrastructure initiative, including but not limited to energy. The country's infrastructure is crumbling, and the energy infrastructure is outmoded. Among the long-term unemployed, there are huge numbers of construction workers and skilled tradespeople who could be given a new lease on life, while energizing a continuing sluggish economy. And the money to pay for a major infrastructure initiative can be borrowed now at the lowest rates imaginable. The business community, including the U.S. Chamber of Commerce, is enthusiastically in favor of it.

The U.S. political system is dysfunctional; the U.S. economy remains sluggish. Treasury interest rates remain at historic lows. But global demand for U.S.-backed paper is extraordinarily high; we remain the safe harbor of choice everywhere. Bloomberg columnist Barry Ritholtz has a suggestion: Do as Canada has recently done, and introduce a 50-year Treasury bond. As Ritholtz notes, we are currently pursuing the ultra-foolish strategy of financing long-term debt with short-term paper; far, far better to finance it with bonds that lock in lower rates for a long time. And that is especially true when it comes to investments in our economic and energy futures.

Interestingly, there are bills in both the House and Senate to deal with the problem—and unlike most issues, these have robust bipartisan support. They all rely on the concept of borrowing cheaply now to invest in the future.

Let me start with the bills introduced in the House by Democrat John Delaney of Maryland (with more than 30 cosponsors from each party), and its counterpart in the Senate, introduced by Democrat Michael Bennet of Colorado and Republican Roy Blunt of Missouri (Bennet's brother, James Bennet, is editor in chief of *The Atlantic*). These bills create a fund that would be capitalized with $50 billion in infrastructure bonds with 50-year terms paying a fixed interest rate of 1 percent. Corporations could repatriate a substantial amount of the profits they have accumulated overseas tax-free if they buy the bonds. The amounts repatriated would be set by what is called a "reverse Dutch auction," which I will not even attempt to describe. Suffice to say that the process would be a win-win—companies would likely end up paying low tax rates on the repatriated profits and have a substantial amount of the money to reinvest, while also providing a bundle of capital for infrastructure investments, which in turn would be leveraged by the fund into as much as $750 billion in loans or guarantees for infrastructure projects. A substantial share of those projects would be public-private partnerships, with most of the decisions made not by the federal government, but by state and local governments with their own skin in the game.

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The process may be complicated, but the goal and the outcome are both highly desirable and do not cross the ideologies of either party. The same is true of another highly commendable idea introduced by Chris Van Hollen of Maryland in the House and Chris Murphy and Richard Blumenthal, both of Connecticut, in the Senate. Their proposal is based on a compelling idea from former Federal Communications Commission Chairman Reed Hundt—the Green Bank Act of 2014, focused, as the name suggests, on a plan to transform America to a clean-energy platform. This bill, based on a highly successful model in Connecticut and three other states, would create an independent, self-sustaining nonprofit corporation that would serve as a catalyst for leveraging capital to accomplish the goal. The bank would have less capital initially than the broader infrastructure fund in the Delaney and Bennet/Blunt bills, but the same broad concept: Capitalize at $10 billion, perhaps up to $50 billion, and then use the leverage for loans, loan guarantees, debt securitization, and so on to provide financial support for clean-energy projects, including via partnerships with state green banks.

The Green Bank would use a model that would incentivize companies to repatriate some of their profits abroad in return for investing in the bank as well. It would also focus on the burgeoning number of clean-energy and energy-efficiency projects—including retrofitting buildings, which provide great high-value construction jobs, among others—and would not require in any way that consumers pay higher energy prices now for a clean-energy future. The bill creates an independent governance model for the bank to prevent its corruption or use as a cash cow for pols and their benefactors. Right now, we tend to use expensive ways to subsidize clean energy; this bank uses the marketplace via low-cost capital to accomplish positive ends.

Polarization does not explain the failure to act on bills that transcend typical ideology. In a "normal" polarized environment, the fact is that Congress could and would pass bills that require no appropriations, no increases in government spending, the active participation of labor and business, and a way to prepare for the economy of the rest of the 21st century by borrowing low to create higher economic growth and improve the environment. Instead, we have an abnormal, tribal environment, where any bill that would accomplish a signing ceremony in the Oval Office or the Rose Garden is actively shunned. Low interest rates will not last forever; not to take advantage of them now to provide a better future for