

Critical Infrastructure Funding: 'Washington Must Take Over This Crisis'

by Bill Roberts

June 19—Last week, responding to reports of various state-level, piecemeal efforts to fund critical infrastructure repairs and upgrades, American statesman and economist Lyndon LaRouche stated, “The federal government must take over this crisis; it is the only source of an orderly form of credit for this problem. This is a major national crisis; the U.S. economy depends on solving it.”

After 16 years of Presidents Bush and Obama, U.S. infrastructure is decrepit, necessitating stop-gap emergency measures to prevent chain reaction, large-scale disruptions of productive, daily life for millions of Americans. The American Society of Civil Engineers, in its [2017 Infrastructure Report Card](#), has put the needed level of infrastructure investment at \$2 trillion to be spent over the next ten years, or \$200 billion per year, while chairman Ding Xuedong of China’s sovereign wealth fund, the China Investment Corporation, [told](#) the Asian Financial Forum in Hong Kong on January 16 that that “at least \$8 trillion” is required.

Private investment will not cover the broad spectrum of infrastructure investment required, since private investors will not invest where they cannot make at least a 12% annual return. Nor will the Congress ever agree to large increases in spending from the federal budget without gouging it out of some other program to maintain austerity.

Only the third approach, the Hamiltonian approach found in LaRouche’s [Four Laws](#), recognizes that only government credit issuance,

not money, can address what is needed—large-scale investment in infrastructure and manufacturing, with an eye toward future expanded requirements that come with an upgrading of mankind’s application of new physical principles, resulting in higher levels of per capita productivity.

Any other approach is simply suicidal.

Example: Great Lakes Navigation

Consider the situation on the Great Lakes, where large-scale transport of coal and iron ore form the backbone of the iron and steel manufacturing supply chain. If anything were to disrupt these supplies, the effects would be devastating. In fact, a [report](#) produced by the Department of Homeland Security in 2016 put into figures what the unexpected closure of one particularly critical piece of infrastructure would mean for the nation. If the locks at Sault Sainte Marie, Michigan (the



U.S. Army Corps of Engineers/Michelle Hill

At Sault Ste. Marie, Mich. on Sept. 16, 2011, the Burns Harbor is in the Poe Lock (right) and the Richelieu is preparing to enter the MacArthur Lock.

“Soo Locks”)—particularly the 1,200 foot Poe Lock, which handles 70% of the cargo moving between Lakes Superior and Huron—were to shut down and remain shut down for more than six months, 11 million additional Americans would be out of work and steel production in the nation would almost completely grind to a halt. Specialized industries such as automobile manufacture—depending on a different alloy or “recipe” of steel for nearly every part—would not be able to continue to produce, even if a few steel mills with reserve iron ore could function for part of the shut-down period.

The lock is literally indispensable, as there is no adequate rail grid that could take the tens of millions of tons of ore annually from the iron mines of the Mesabi Range in Minnesota, near Lake Superior, to the steel mills elsewhere on the shores of the Great Lakes, and beyond. The Army Corps of Engineers, which manages the locks, admits that as time goes on, the likelihood of unexpected closure increases.



U.S. Army Corps of Engineers

The Soo Locks between Lake Superior and the St. Marys River.

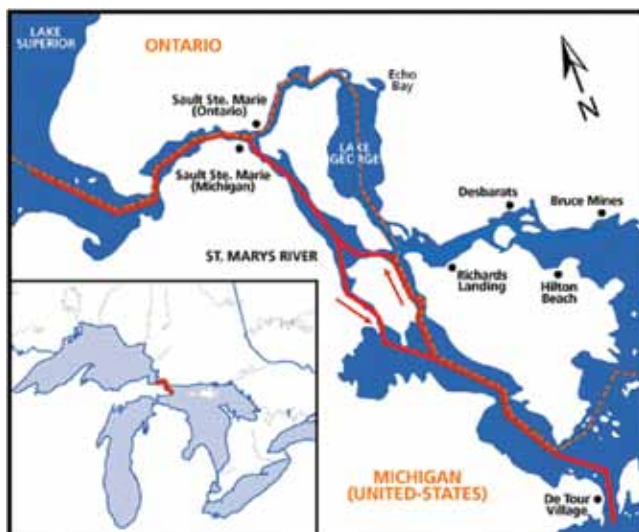
Surely someone must have noticed this and planned for the building of a replacement lock. “They” wouldn’t let such a shutdown happen, would they?

In 1986, Congress, recognizing this vulnerability, passed legislation to construct a second large, modern lock where two unused, smaller ones are now. The project never materialized. Having authorized the construction, Congress withheld the funds. Over more recent years, more and more costly repairs have been made, but no major upgrades have taken place in 50 years.

Then in 2005, a cost-benefit analysis found that, supposedly, for every dollar invested in the new lock, a return of only 73 cents would be made. Incredibly, this kind of “revenue logic” made the project ineligible for federal funds.

Cost-Benefit Analysis: Who Benefits?

What should be transparently clear from this insanity, is that the future-oriented thinking that built the Erie Canal—that later led to the creation of a continuously



Passageway and locks at Sault Ste. Marie for ship traffic between Lake Superior and Lake Huron.

navigable waterway from Lake Superior all the way to the Atlantic Ocean by way of the Saint Lawrence Seaway, driving the creation of the machine-tool sector of the nation—is a different species of thinking than that which controls the Congress today. That this particular cost-benefit analysis is considered to be flawed by shipping companies and is being redone, does not address the axiomatic flaw, namely, that the economy of a nation cannot be measured by the yardstick of a direct monetary measurement of benefit.

Abraham Lincoln, on the floor of Congress on June 20, 1848, [took on](#) this local-yokel mentality of judging the usefulness of a federal project in terms of the immediate, local payback at the point of use, citing the radiating effects of a “local project”—the Illinois and Michigan Canal that connects the Great Lakes and the Mississippi River—in lowering prices of commodities in states quite distant from New York.

David Lilienthal of the Tennessee Valley Authority (TVA; co-director, 1933-1941; chairman, 1941-1946) addressed the absurdity of such monetarist thinking. On the question of whether the expense to the American taxpayer for building the TVA was justified in terms of the benefits and values produced by the project, he concluded that much of the benefit of the project could not be measured by direct profit. The only such monetary return to the federal coffers was through the sale of electricity to consumers. The TVA did not account for, or record any statistics related to benefits that accrued from the improvement of navigation along waterways where the TVA had done its work, benefits expressed in increased shipping and increased consumption of commodities made more readily available, such as grain, oil, and gasoline.

In fact, many aspects of the benefits that came from building the TVA dams could not be measured in terms of direct payment to the TVA, including flood control benefits to down-river areas, but also the application, in regions not within the TVA region, of breakthroughs made by the project in plant food production and soil erosion mitigation.

In one of his books, *TVA: Democracy on the March* (1944), Lilienthal states, “But simply because they do not appear on the TVA’s books as income, does not mean, of course that there are no benefits.” (p. 39) He



US Army Corps of Engineers

A barge on the the final upbound passage through the Soo Locks before the locks and adjacent shipways freeze up.

immediately returns to this theme:

The cost of such development work appears on TVA’s books as a net expense; but the benefits appear on the balance sheet of the region and the nation. And, as with public improvement expenditures generally the country over, it was anticipated that such expenditures would be repaid to the taxpayer not directly in dollars, but indirectly in benefits.

In these passages, Lilienthal displays an understanding of the same principle upon which a Hamiltonian credit system functions. It does not function on the same basis as a private investment, requiring a direct profit on top of the return of the initial expenditure. In that respect, federal credit is superior, and not limited by mathematics, freeing the mind to consider how the people of the nation will benefit by a transformation of their condition and their activities.

After the stunning success of the May 14-15 Beijing Belt and Road Forum for International Cooperation, the boldest measure the Trump administration can now take is to implement Glass-Steagall and a Hamiltonian National Banking System, freeing the country from the grip of the Wall Street mentality and returning us to the trajectory of human progress. Only that approach, not private investment for local profit, can facilitate U.S.-Russia-China cooperation on the very highest level.

Every Day Counts In Today's Showdown To Save Civilization

NEW
REDUCED
PRICE!

That's why you need EIR's **Daily Alert Service**, a strategic overview compiled with the input of Lyndon LaRouche, and delivered to your email 5 days a week.

The election of Donald Trump to the Presidency of the United States has launched a new global era whose character has yet to be determined. The Obama-Clinton drive toward confrontation with Russia has been disrupted—but what will come next?

Over the next weeks and months there will be a pitched battle to determine the course of the Trump Administration. Will it pursue policies of cooperation with Russia and China in the New Silk Road, as the President-Elect has given some signs of? Will it follow through against Wall Street with Glass-Steagall?

The opposition to these policies will be fierce. If there is to be a positive outcome to this battle, an informed citizenry must do its part—intervening, educating, inspiring. That's why you need the EIR Daily Alert more than ever.

TUESDAY, NOVEMBER 22, 2016

Volume 3, Number 65

EIR Daily Alert Service

P.O. Box 17390, WASHINGTON, DC 20041-0390

- Only Global Solutions, Based on New Principles, Can Work
- Tulsi Gabbard Meets with Donald Trump Regarding Syria
- Robert Kagan Throws in the Towel, Complains U.S. Is Becoming 'Solipsistic'
- War Party Moving To Preempt Trump-Putin Reset
- Syrian Army Makes More Progress in Aleppo
- Duterte Gives OK to Nuclear Power for Philippines
- Europe Will Suffer from Maintaining Russia Sanctions
- Former Chilean Diplomat Confirmed, 'We Will Joyfully Welcome Xi Jinping'
- Duterte and Putin Establish Philippines-Russia Cooperation
- François Fillon, Pro-Russian Thatcherite, Wins First Round of French Right-Wing Presidential Primary

EDITORIAL

Only Global Solutions, Based on New Principles, Can Work

SUBSCRIBE (e-mail address must be provided.)

EIR DAILY ALERT SERVICE

- ☐ **\$100** one month (introductory)
- ☐ **\$600** six months
- ☐ **\$1,200** one year (includes EIR Online)

Name _____

Company _____

Address _____

City _____ State _____ Zip _____ Country _____

Phone (_____) _____

E-mail _____

For mobile users,
EIR Daily Alert Service
is available in html

I enclose \$ _____ check or money order

Make checks payable to

EIR News Service Inc.

P.O. Box 17390, Washington, D.C. 20041-0390

Please charge my ☐ MasterCard ☐ Visa
☐ Discover ☐ Am Ex

Card Number _____

Signature _____

Expiration Date _____

EIR can be reached at:

www.larouchepub.com/eiw

e-mail: **fulfillment@larouchepub.com**

Call **1-703-297-8434**