Insight

Why An Infrastructure Bank Is A Lose-Lose Proposition For Taxpayers

GORDON GRAY | DECEMBER 4, 2015

A proposed national infrastructure bank is back in the news. Today, a leading national progressive made the latest case for yet another taxpayer-funded entity. It follows on President Obama's prior proposal — and once again it's an idea that sounds like a good deal for a select few and a raw deal for taxpayers.

As proposed today, the bank would take $25 billion of taxpayer money and leverage the investment to support another $225 billion in direct loans, loan guarantees and other credit. That would be just the tip of the iceberg for taxpayer spending though. Supporters say it will be limited, but what does government precedent suggest will happen right away? They'll raise the lending limits, lower standards, and increase leverage. Rinse and repeat.

The bank would serve as a government financing vehicle — paid for by taxpayers — that's ***designed*** to operate on leverage. Sure sounds an awful lot like GSE's — the same ones that contributed to the financial crisis.

And how would the bank be structured? Sec. Clinton previously said it would be modeled after the Clinton Global Initiative, which has been widely criticized as a vehicle benefiting allies. It should be lost on no one that she made that remark at a fundraiser before large donors, because this "model" is tailor made for crony capitalism. A taxpayer-funded bank that allows government officials to dole out projects to private sector groups of their choosing, like friends and allies. Solyndra is just one of several examples where similar crony capitalism works for a select few, while taxpayers get a raw deal. Labor unions also stand to benefit tremendously from a national infrastructure bank. In fact, one union endorsed Clinton's campaign yesterday citing the bank as a key reason for their support.

This is to say nothing of the plan's other gaping flaws: the proposal calls for $250 billion more in stimulus-esque spending… with no specifics of how to pay for it. Reuters reports that the combined five-year $275 billion project would be paid by "changing how businesses are taxed, a campaign aide said, **without providing any details**." (Emphasis added). And keep in mind that new business taxes have already been identified as a piggy bank for other new spending proposals.

That's spokesperson speak for either it won't being paid for or American businesses are footing the bill. It's a lose-lose proposition for Americans.