Written Testimony for the Maryland Senate Budget & Taxation Committee Hearing
January 29, 2025, 10:30am
On SJ0002: United States of America - National Infrastructure Bank

In Favor, from: Alphecca Muttardy, Macroeconomist with the Coalition for a National Infrastructure Bank

SJ0002 asks members of Congress to enact HR4052 to create a $5 trillion public bank to fund infrastructure projects across the United States. Such a bank is needed because Federal financing, State financing, and private capital money have proven inadequate to finance most of our public infrastructure needs.

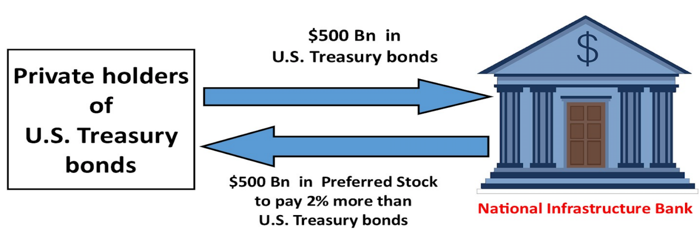
This written testimony explains how the National Infrastructure Bank's (NIB) financing will work. The NIB will operate off budget; it will operate just the same as any commercial lending bank; and it will not require Federal budgeted money to subsidize its operations over time.

Q: How is the National Infrastructure Bank capitalized?

A: This NIB will be capitalized by buying up to $500 billion in Treasury Securities from the private sector, exchanged for an equivalent of Preferred Stock in the NIB. Treasury purchases would be phased over time, as the NIB's loan portfolio grows to $5 trillion, in order to maintain a ratio of $1 in capital to $10 in loans. **Therefore, no appropriation is needed from the Federal budget to capitalize the NIB.**

Preferred Stock would pay a 2% per year premium above the Treasury interest rate, to entice the investments. That premium payment, up to $10 billion per year, would come out of the NIB's interest earned on its loans (about $400 billion per year). The paid-in capital would be maintained on the NIB's books as a rainy day fund in case the economy or some loans go bad.

How the National Infrastructure Bank is Capitalized

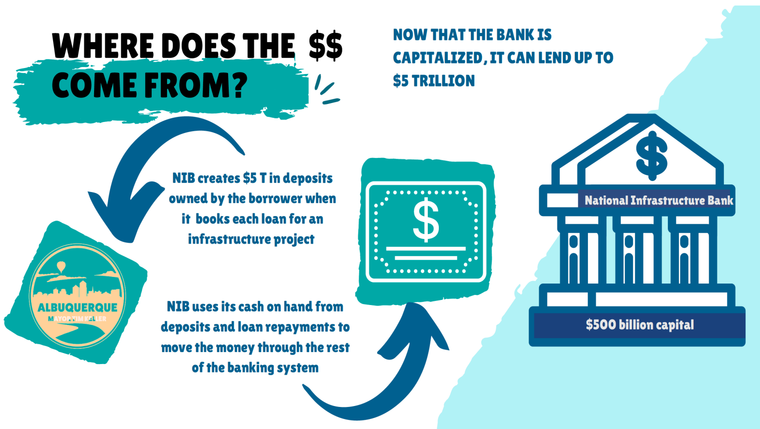


Private holders of U.S. Treasury bonds invest $500 Bn in exchange for $500 Bn in preferred stock in the bank. Preferred stock to pay additional 2% above U.S. Treasury rate. 2% interest paid from earnings of bank.

Q: Exactly where does the money come from that the NIB gives out in loans?

A: The NIB operates just like a commercial bank, using the same accounting software to track loans. **Each time the NIB creates and books a loan on one side of its books, it creates an**

offsetting deposit on the other side of its books, available in the borrower's name. This standard accounting process adds to the nation's money supply. Ninety-five percent of America's money supply was created by commercial banks whenever they gave out a loan. Then the NIB uses cash on hand coming in from other deposits, or loan repayments, to circulate money from the newly created deposit into the rest of the banking system.



Q: How is the National Infrastructure Bank managed?

A: The NIB is subject to the same fiduciary rules as any commercial bank. Its operations will be governed by a Federally appointed Board of Directors, it will have bank operations and risk officers to ensure that project loans remain on track, on time, and on budget; and its operations will be FDIC insured. All previous banks like the NIB ended their operations in the black since, historically, infrastructure loans have a great track record of being repaid.