DATA FOR *PROGRESS*

The Climate Case for a National Investment Authority

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Introduction

The economic devastation caused by the coronavirus pandemic creates a crucial opening for a speedy and deliberate move to a massive infrastructure-led rebuilding and "greening" of the U.S. economy. In the wake of the worst health crisis in over a century, potentially followed by the worst economic depression in nearly as long a time, the political mood in the U.S. is increasingly open to big and bold solutions. As polls show, demand for comprehensive strategic solutions is especially strong in the context of addressing global climate change.[1]

This is no coincidence. The pandemic has exposed the degree of our global interconnectedness and collective vulnerability to health and environmental crises that spread with an unprecedented speed and disproportionally harm disadvantaged segments of the population. The fact that the oil and gas sector is experiencing significant economic turmoil amidst consistently falling oil prices further strengthens the case for an immediate structural shift to sustainable, clean energy-based economy.[2]

This economy-wide shift must be conceived, planned, and implemented in a way that produces tangible and equitably distributed public benefits, instead of underwriting further socio-economic and racial disparities and concentrating economic power in private hands. The Green New Deal (GND) movement has successfully propelled this programmatic vision of an environmentally clean, just, and equitable future to the top of the national policy agenda. The Democratic Party is responding to this enthusiasm accordingly. Thus, both the recent report of the House Select Committee on the Climate Crisis and the House's Moving Forward Act explicitly endorsed the idea of a clean economy based on justice and equity.[3] In July 2020, Joe Biden publicly unveiled new climate and environmental justice plans that far surpass any prior Democratic campaign platform in scope and ambition—and further signal his intention to advance an FDR-style presidency.[4]

To carry out these ambitious plans, the United States needs an equally ambitious program for augmenting and aligning the nation's financial resources with the long-term goals of sustainability and decarbonization. This complex undertaking, in turn, requires an organizational focal point: a federal-level institutional platform for coordinating and amplifying climate-targeting action on multiple fronts. This White Paper discusses the creation of a National Investment Authority (NIA) as precisely this kind of a federal institution: a public entity that would design, execute, and finance a comprehensive nationwide program of environmentally sustainable and socially inclusive growth and revival.[5]

Drawing on the experience of the New Deal era's Reconstruction Finance Corporation (RFC), the NIA offers a novel institutional solution to multiple organizational, financial, and operational challenges associated with an ambitious national project to combat climate change. Strategically, the NIA will focus on a comprehensive overhaul of America's critical public infrastructure, the foundation of a clean economy. The woeful inadequacy of our country's existing physical infrastructure, still fundamentally dependent on fossil fuels, is as familiar as it is unjustifiable. Political rhetoric notwithstanding, the U.S. continues to suffer from persistent under-investment in technologically advanced, environmentally efficient and resilient public infrastructure.[6]

In recent years, total U.S. investment in clean energy has been hovering around $56 billion annually.[7] This is at least an order of magnitude below what is needed for the United States to shoulder its share of the decarbonization load, and far below any reasonable notion of what global leadership might look like. Estimates of the amount of global investment in clean energy required to meet climate targets between now and 2050 range from about $1 trillion to over $3 trillion annually.[8]

The NIA will step into this gap and use innovative financing tools to mobilize and boost the flow of public and private capital into socially beneficial "green" infrastructures. In doing so, the NIA will help to solve the climate crisis, create well-paying domestic jobs, enhance the resiliency and productivity of the American economy, and systematically translate the vision of a clean future into tangible socio-economic and political change.

I.

Infrastructure Finance in Institutional Context: Why We Need A Better Solution

Combating climate change is the biggest economic, political, and social challenge of our time. The ongoing environmental damage is causing rising temperatures and sea levels, intensified hurricanes, and epic droughts. To slow down, remedy, or reverse the devastating effects of these climate phenomena, the United States urgently needs to rebuild its entire economy around new, environmentally safe methods of production, distribution, and consumption of goods and services.

Technologically advanced "clean" infrastructure—including electric- and hydrogen-fueled public transportation, energy-efficient and affordable housing, "smart" power grids and broadband internet networks—is the key to this effort. Building this new public infrastructure on a massive scale requires a programmatic vision and a coordinated nation-wide approach that combines local action with federal financing. The United States is currently lacking along all three of these dimensions. Despite the obviously pressing need, we still have no unified official program of infrastructural overhaul. There is no mechanism for coordinating the reconstruction process on a national scale, nor is there an institutional platform for federal financing of such efforts.

The usual approach to infrastructure finance in the U.S. is dysfunctionally bipolar. The default preference is to allow private markets to decide which projects are worthy of funding. Thus, the United States has effectively empowered individual investors, presumably enjoying superior access to information on the ground, to pick the most efficient outlets for their capital. Anything that does not get funded in private markets, and is deemed to constitute a "public good," becomes an expense item on fiscal policy agenda. Federal, state, and local governments are expected to use their tax revenues to pay for the construction of such publicly beneficial infrastructures.

While plausible in theory, this system has not been working well in practice, even with respect to the traditional physical infrastructure: roads, bridges, and so forth. When it comes to the kinds of new, technologically advanced, and truly transformative infrastructure needed for the transition to a clean economy, however, these standard "solutions" are even more obviously limited and inefficient.[9]

Private investors are unwilling to foot the bill for new infrastructure, because these projects tend to be highly capital-intensive and risky undertakings. From the private investors' perspective, these projects are exceptionally risky because of their long timeframes as well as the inherent uncertainty of their commercial viability, which may depend on larger structural changes in the economy. Individual investors fundamentally lack the capacity to control the broader macro-environment, and their risk-return calculations are driven by their expectations of private profit. Their short-termism is, therefore, fundamentally individually rational. Yet, the cumulative result is collectively irrational and tragically ironic: many potentially beneficial infrastructure projects simply do not get funded in private markets, while abundant private capital is desperately searching for profitable deployment.

Public authorities, in turn, have been notoriously strained in their practical ability to finance large-scale infrastructure projects. Highly politicized budget decisions have led to an effective hollowing out of federal fiscal policy. Congressional paralysis and partisan battles over federal budget deficits render the U.S. Treasury incapable of leading a real infrastructure reconstruction program. The Federal Reserve has not been able to step into the resulting institutional gap, primarily because of its limited legal mandate focused on conducting monetary policy as well as the lack of an institutional apparatus to direct capital.

The establishment of a dedicated public investment authority—the National Investment Authority (the NIA)—is a pragmatic structural solution to this seemingly intractable policy dilemma. The two institutional pillars of treasury and central bank are simply insufficient to support sustained and inclusive economic development. There is a critical policy gap between their two mandates, and neither existing institution can fill this gap without compromising its core mission. An NIA can step into this void, publicly marshalling private funds to supply systemically important infrastructural goods that are not supplied by private actors.

A successful NIA will accordingly relieve current pressures on the Federal Reserve and the Treasury, making their jobs significantly easier. It will enable the Federal Reserve to engage in traditional monetary policy without risking an under- or over-issuance of credit-money economy-wide. It will also enable the Treasury to sidestep needlessly contentious budgetary decisions by making and executing these decisions itself with assistance from private investors.

The NIA will also help to recharge and amplify state- and local efforts to combat climate change. In the absence of a concerted federal leadership strategy and support, cash-strapped state and local governments are struggling to fund clean infrastructure projects. Many states have "balanced budget" requirements; and the currently existing municipal bond market is notoriously fragmented and illiquid. Despite these challenges, several states have established "green banks" to help finance various projects within their jurisdictions. Putting the full faith and credit of the United States behind state green banks, as well as other state and local climate-related initiatives, will dramatically scale up their financial footprint and unlock their full potential to catalyze real change in their communities.

While some might deem it radical, the concept of an NIA draws on important precedent in the U.S. history. In times of major national crises, the U.S. federal government has repeatedly taken an active role in directly allocating capital to where it was most urgently needed. During the World War I, for example, President Wilson's War Finance Corporation (WFC) was instrumental in mobilizing and funding the nation's war effort.[10] In 1932, in the midst of the Great Depression, President Hoover used the WFC blueprint to create the Reconstruction Finance Corporation (RFC), which later became the "capital bank" for President Roosevelt's New Deal.[11]

The RFC acted directly in financial markets, organizing and managing massive flows of capital into every sector of America's ailing economy. It extended loans to banks, railroads, utilities, commercial and agricultural enterprises, municipalities, and other federal agencies at a time when private credit was scarce. It also took direct equity stakes in financial institutions and commercial firms in need of capital—and used its power as stockholder to shape these firms' management and dividend policies.

One of the most powerful New Deal institutions, the RFC operated multiple specialized subsidiaries and had 33 regional offices spread across the country. At its peak, the RFC's assets dwarfed the combined balance sheets of all Wall Street banks.[12] Consistently profitable, it recycled its profits back into productive investment. In effect, Roosevelt's RFC functioned as an active public-private development-finance institution.[13]

The NIA proposal expands and updates the RFC model, adapting it to the challenges and conditions of the 21st century. Just like the RFC financed and guided America's recovery from the Great Depression, so will the NIA finance and lead the nation's war against climate change, pandemics, de-industrialization, poverty, and inequality. The NIA will operate as a permanent "capital bank" for the GND.

II. The NIA's Institutional Design: An Overview

Establishing a new federal entity like the NIA will require an Act of Congress. The enabling statute will define the NIA's legal mandate and authority, its organizational and internal governance structure, the basic modes in which the NIA will conduct and finance its ongoing operations, and the mechanisms for ensuring sufficient transparency of and public accountability for its decisions.

A. MANDATE AND MISSION

The NIA will be a stand-alone federal entity with an explicit mandate to formulate and implement a cohesive national strategy of long-term economic reconstruction and development. Functionally situated between the Treasury and the Federal Reserve, the NIA will be the primary federal authority in charge of coordinating and overseeing ongoing investments in critical public infrastructure and socially inclusive and environmentally sustainable economic growth. It will serve as a separate institutional base from which to conduct a more targeted allocation of patient public and private capital toward specific economic activities likely to accelerate the structural shift to a clean-energy-powered economy.

Inspired by Roosevelt's RFC and drawing in part on modern-day sovereign wealth fund models, the NIA will act directly within markets as a lender, guarantor, market-maker, venture capital investor, and asset manager. At the same time, it will use these modalities of finance in a far more assertive and creative manner, as may be necessary to maximize the successful completion of its public policy objectives. The NIA will actively utilize the federal government's unique advantages as a market actor—its high risk tolerance, vast scale, lengthy investment horizons, and direct backing by the full faith and credit of the United States—to resolve presently pervasive structural inefficiencies that hinder both private and public investment in ambitious clean infrastructure projects.

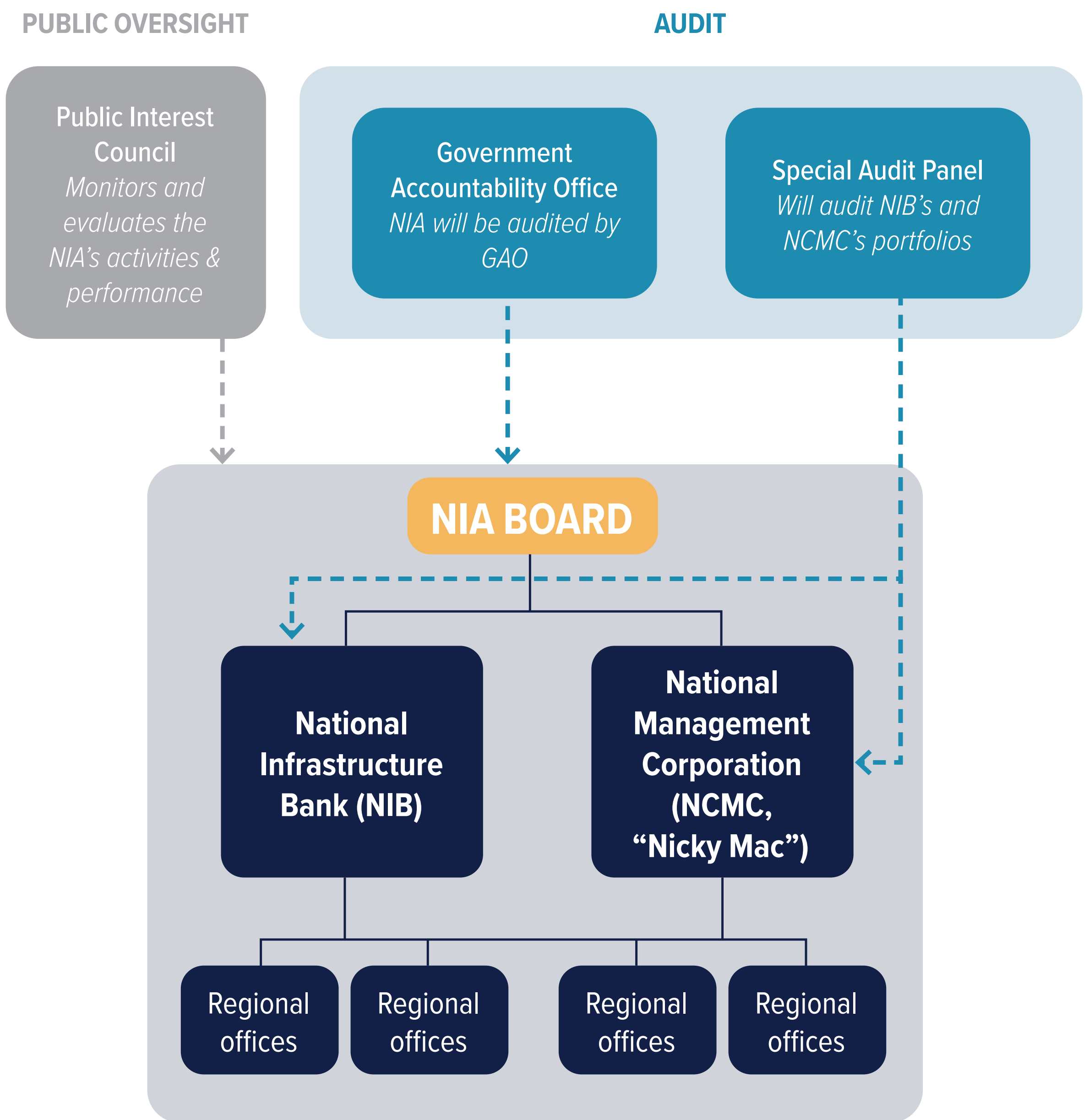
By channeling greater amounts of private capital into transformative public infrastructure projects, the NIA will significantly relieve the immediate pressures on the public and sidestep debilitating political battles over the federal budget. In effect, the NIA will operate as an economy-wide public-private partnership, with one critical difference. In contrast to the typical model of public-private partnerships, in which private actors manage (and frequently mismanage) public money, the NIA will reverse the levers of control and place freely invested private money under public management. This reversal of roles will avoid a dysfunctional pattern whereby the public bears disproportionately high implicit costs in financing projects without capturing their maximum long-term benefits.

The NIA's intentionally broad mandate will enable it to target a range of public infrastructure that will directly or indirectly facilitate a massive shift to clean economy and sustainable growth. It will also allow the NIA to deploy a wide variety of specific tools in pursuit of its overall strategy. Having flexibility along both of these dimensions is the key to the NIA's ability to fulfill its mission.

B. ORGANIZATIONAL STRUCTURE

Reflecting its hybrid nature as a government entity acting directly in private markets, the NIA's organizational structure will largely mimic that of the Federal Reserve System.[14] As a system, the NIA will have three functional layers: (1) an independent federal agency—the NIA Governing Board (the NIA Board) —at the top of the structure; (2) two special government corporations through which the NIA will conduct its actual operations; and (3) a broad network of regional NIA offices evenly spread around the United States.

The five or seven-member bi-partisan NIA Board will be appointed by the President, with the Chair and the Vice-Chair also confirmed by the Senate. All of the NIA Board members will have to meet certain statutory qualifications relating to their professional expertise in finance, law, economics, environmental sciences, civil engineering, and other areas relevant to the NIA's core mission. NIA Board members will be appointed for staggered 10- or 12-year terms, to ensure an important degree of autonomy and strategic continuity in their decision-making. The NIA Board members would be removable by the President only for good cause, which would further enhance the NIA's



operational independence from the incumbent administration.

The NIA Board will formulate a coherent strategy of national economic development and identify specific developmental priorities over various time horizons. The practical implementation of this strategy will be delegated to the NIA's principal operating arms: The National Infrastructure Bank (NIB) and the National Capital Management Corporation (NCMC, or "Nicky Mac").

The NIA Board would directly regulate and supervise the activities of both NIB and NCMC, organized as special federally-chartered, government-owned corporations. This organizational choice will give each of these entities a significant degree of financial flexibility and operational freedom.[15] Each of the NIB and NCMC would be governed by its own Executive Board in accordance with the specially tailored principles laid out in their respective corporation charters. They will be able to pay their employees salaries exceeding federal-employee compensation limits, which is key to their ability to attract and retain highly qualified personnel. And they will be better insulated from excessive bureaucratic interference and direct political pressure.

The final, third layer of the NIA system will comprise a vast network of regional offices. These offices will play a critical role in ensuring continuous community input in, and democratic bottom-up support for, the NIA's national investment strategy. The NIA's regional offices will work closely with local communities, businesses, and public authorities on region-specific infrastructural needs and plans. They will also coordinate their activities with the corresponding regional Federal Reserve Banks, in order to guarantee geographically balanced and equitable distribution of financial flows necessary to support clean economic growth throughout the country.

C. OPERATIONS AND FINANCING

The NIA's principal mode of operation will be the systematic channeling of public and private capital into long-term public infrastructure projects that are both (a) critical to the growth of a clean economy, and (b) currently under-funded by risk-averse private investors. The NIB will focus on traditional credit financing, while the NCMC will supply more risk-tolerant equity capital necessary for many transformational clean infrastructure projects. The differences in the strategic focus and core business models of the NIB and NCMC will determine important differences in how they organize and fund their operations.

1. National Infrastructure Bank (NIB): The Credit Mobilizer

As the credit-mobilization arm of the NIA, the NIB would seek to leverage private capital by pledging the public's superior risk-absorbing capacity to support investment in critical public infrastructure goods. Currently, many clean infrastructure projects are deemed not economically viable mainly because private creditors are not willing to take on the inherently complex task of valuing, tracking, and managing risks of multiple geographically dispersed and relatively small-scale projects. The illiquid and fragmented nature of the existing market for municipal bonds, in turn, hinders the ability of

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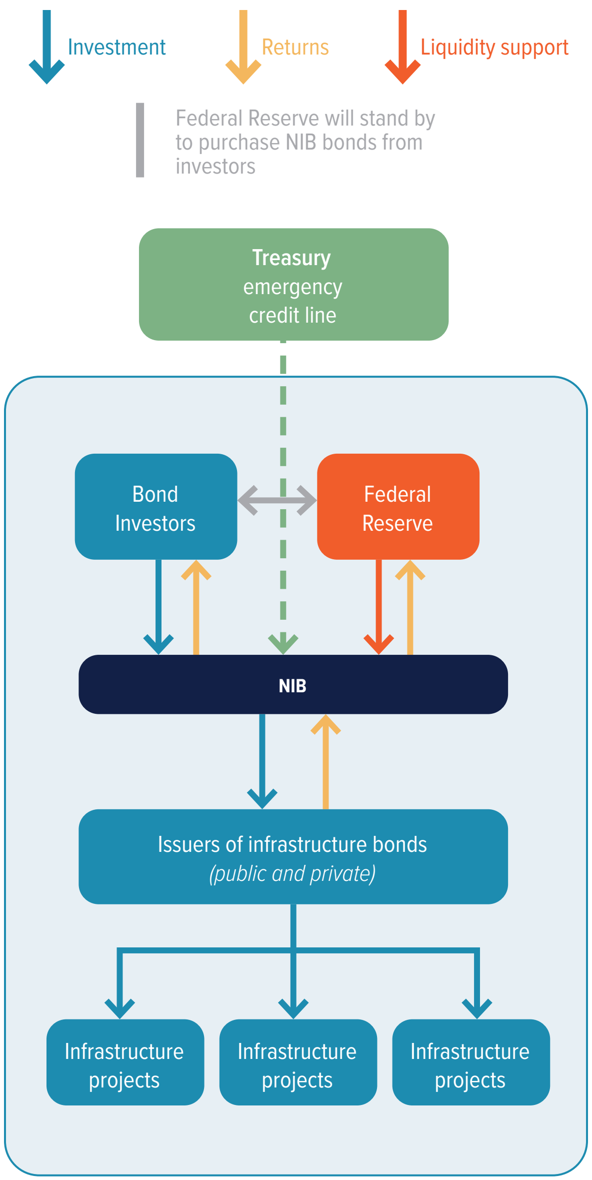

local and state governments to access affordable financing for these much-needed projects.

The NIB will specifically target these scale inefficiencies by creating and maintaining a nation-wide market for infrastructure finance, backed by the full faith and credit of the United States. It will do so through a combination of well-established means, including direct federal grants, loans, guarantees, insurance, securitization, and secondary market-making. For example, the NIB will continuously purchase and pool municipal bonds, state-level "green" banks' bonds, and other qualifying public and private debt instruments issued to fund clean infrastructure projects. To finance these portfolios, the NIB will issue its own medium to long-term bonds backed by (1) user fees and dedicated revenues; (2) dedicated pools of collateral, and (3) the ultimate full faith and credit of the United States.

The federal government's full faith and credit backup is a particularly potent factor in this connection. Explicitly backed by the U.S. government, the NIB will be a much larger and more powerful market actor than any private municipal-bond-pooling entity could be. NIB bonds will attract great interest from large institutional investors—including pension funds, investment companies, insurance companies, foreign central banks—who will

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view them as close substitutes for U.S. Treasury securities. Explicitly granting NIB bonds preferential tax and regulatory treatment (for example, under U.S. bank regulations) will further enhance the appeal of this new asset class to institutional investors. In particular, committing the Federal Reserve to purchasing NIB bonds, in the same way it currently purchases U.S. Treasury bonds and other federally-backed debt, will crucially augment the liquidity and perceived safety—and thus market value—of these bonds.

As a credit-mobilization vehicle, the NIB will operate along the historically familiar lines of the RFC and its surviving offspring, the home finance government-sponsored enterprises

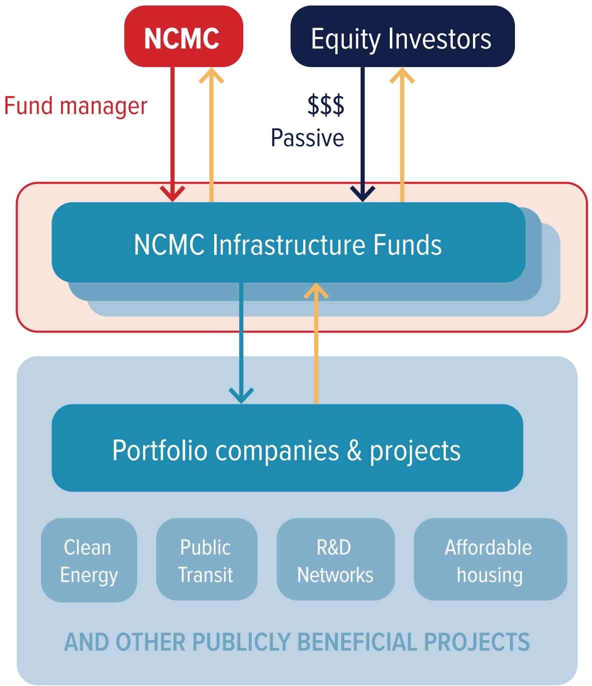
(GSEs). Its primary mission will be to amplify and optimize the currently sub-optimal system of public-private cooperation in the arena of infrastructure finance. In this sense, the NIB may be viewed as a scaled-up federal-level version of the existing "green bank" model.[16] By creating a federally-backed national market for state or regional green banks' bond issuances, the NIB will dramatically amplify these important institutions' balance sheet capacities and economic impact.[17]

2. National Capital Management Corporation (NCMC): The Asset Manager

An even more ambitious operating arm of the NIA, the NCMC will operate as a hybrid between a sovereign wealth fund (SWF) and a large private equity or venture capital firm. Just like a typical SWF, the NCMC will be a very large and high-profile publicly-owned asset manager. Unlike a SWF, however, it would not simply invest public money in stocks and bonds traded in secondary markets in search of capital appreciation. Instead, the NCMC will follow the business model of a typical Wall Street asset management firm by setting up a series of investment funds (structured similarly to traditional private equity funds) and actively soliciting private investors—pension funds, insurance companies, university endowments, foreign sovereign wealth funds, and so on—to purchase passive equity stakes in its funds.

Unlike a typical private equity or venture capital firm, however, the NCMC's fund management strategy will focus not on short- to medium-term turn-around profits, but on taking long-term equity stakes in environmentally safe, socially beneficial public and private projects. The NCMC's dedicated professional teams will select and manage diversified portfolios of public infrastructure assets: nationwide clean energy networks, high-speed railroads and broadband, regional air and water cleaning and preservation programs, environmentally smart and affordable housing programs, systems of job-retraining, networks of public-private R&D hubs, and so on. By financing and managing these transformative projects, the NIA would be effectively coordinating and overseeing the process of implementing the nationwide structural shift to a clean, smart 21st century economy.

NCMC would employ advanced financial engineering methods to reward private investors for their participation in financing these long-term publicly beneficial projects, even where such projects would not generate revenues that are easily captured by private interests. To entice particularly risk-averse investors to finance riskier types of long-term infrastructure, the



NCMC could guarantee return of their principal investment at the end of the fund's term. In addition, it would offer its private partners "synthetic"—that is, legally constructed—equity-like returns that vary depending on the estimates of local, regional, or national macroeconomic impacts of the individual funds' projects. If, for example, experts calculate that a particular fund's investments would generate an additional 5% in local or regional economic growth over a specified period of time, the NCMC would translate that projected gain into a corresponding added return for the investors in the fund.[18]

This unique ability to synthesize additional payouts, combined with direct access to the full faith and credit of the United States, will make NCMC funds a potentially highly attractive "safe asset" class for large institutional investors—especially, public pension funds and mission-driven green-economy investors searching for yield that is also compatible with their core missions. Currently, public pension funds are among the largest investors in private equity funds, which means they are indirectly financing the industry known for breaking up American companies and laying off workers in the name of maximizing short-term shareholder returns. Investing in NIA instruments, by contrast, will enable pension funds to generate healthy, reliable returns by investing in publicly beneficial, employment-boosting projects.

The sources of repayment to private investors in NCMC funds will differ, depending on the composition of individual funds' portfolios of projects. For example, many start-up companies that use NCMC funding to develop new commercially viable clean technologies or products could, in time, either repurchase the NCMC fund's stake, or be sold off in initial public offerings (IPOs) or via negotiated sales to private venture capital funds. Where an IPO or private buy-out are either impractical or undesirable from a public policy viewpoint, the relevant projects could be spun off into separate public authorities, like the RFC-era Tennessee Valley Authority, or into regulated privately-owned utilities.[19] Yet another option would be to roll some investments over into successor NCMC funds, thus allowing initial private investors to exit them and new ones to enter. This roll-over option would be particularly effective in connection with projects whose timeframe for generating steady returns exceeds the normal lifespan of a single fund.

3. Backup Funding Sources

Both the NIB's and NCMC's business models, described above, explicitly utilize these entities' unique advantages as sovereign-backed market actors to channel vast amounts of private capital into public infrastructure projects. In some cases, however, the NIA's current payment obligations may require additional public funding.

Initially, the NIA will be funded through one-time Congressional appropriation. Once the NIA builds a portfolio of assets generating interest, dividend, and fee revenues, it should earn sufficient profits to cover its ongoing expenses. The scale and scope of the NIA's investment operations are key in this respect. The larger and more diverse its overall project portfolio, the more flexibility the NIA will have in utilizing various streams of operating revenues to fulfil its obligations to private investors. Accordingly, a larger and more visionary NIA is also more likely to be self-funding.

Consolidating some of the existing federal agencies performing specialized market-actor functions—including the Small Business Administration (SBA) and housing finance GSEs—under the NIA's umbrella would further enhance its self-funding capacity. These entities' well-established revenue streams would then be levered to finance systemically important public goods.[20]

It is nevertheless critical to provide federal backup funding for the NIA's operations, either as a temporary bridge-gap measure or as a recurring variable supplement to the institution's own resources. This will increase the NIA's capacity to invest in important infrastructure projects whose full public benefits cannot be reduced to, and therefore expressed as, pure monetary value. In that sense, it will critically augment the NIA's ability to perform its core public mission.

Committing the Federal Reserve to provide continuous liquidity support to the NIA is the most readily available and important source of public backup funding. As discussed above, the Federal Reserve would stand by to purchase NIB bonds, both from the NIB upon issuance and from private investors in secondary trading, much like it presently does with Treasury bonds and GSE securities. The NCMC, for its part, would be able to borrow directly (and on favorable terms) from the Federal Reserve, in a manner similar to present "discount window" borrowing privileges of private banks. In effect, putting the Federal Reserve's balance sheet behind the NIA instruments will make them highly desirable "safe" assets for institutional investors.[21]

Designating a certain portion of the Federal Reserve's annual profits for contribution to the NIA's budget would be another effective backstop to the NIA's self-funding. Currently, the Federal Reserve turns over significant amounts of its annual profits to the Treasury. Diverting a portion of these regular remittances to the NIA would serve both to smooth potential fluctuations in the NIA's internally generated returns and to amplify its ability to continue financing publicly beneficial ventures even during times of economic slowdown.

To further bolster liquidity support for the NIA, it may be desirable to grant it the right to borrow directly from the Treasury, if necessary. Finally, federal appropriations or earmarking of specific tax revenues should be reserved as last-resort measures, with the expectation that these would not be needed after the initial period of the NIA's operation. The real goal here is to shape market expectations: by effectively signaling to the market its commitment to backstop the NIA's obligations, the federal government will significantly reduce the likelihood of ever having to honor that commitment in practice.

D. TRANSPARENCY AND ACCOUNTABILITY

The NIA's hybrid mode of operation heightens the risk of it being captured by powerful private industry interests. It also makes the NIA potentially vulnerable to overreach and abuse of political power by incumbent government officials. Both of these ever-present possibilities of corruption endanger the NIA's public mission. Accordingly, democratic accountability is a critical factor in ensuring the NIA's political legitimacy and long-term success. Clear lines of internal and external communication, reporting, and auditing are key to accountability and transparency of the NIA's operations.

CONGRESSIONAL REPORTS. The NIA Board will be required to submit annual reports to Congress, outlining the basic principles of its developmental program, explaining any changes in or adjustments to its objectives over various time horizons, and describing and analyzing specific actions the NIA was taking to implement its strategic objectives. The Chair of the NIA Board, along with the Chairs of the NIB's and NCMC's respective Executive Boards, will also provide annual Congressional testimony on the national development policy.

AUDITS. The NIA Board would be subject to annual audit by the Government Accountability Office (GAO), which conducts audits of federal agencies.[22] The NIB and the NCMC would be subject to annual independent audits of their financial performance and operations by a special audit panel comprising representatives of the GAO and of all major public accounting firms.

PORTFOLIO SELECTION PROCESS. It is critical that both NIB and NCMC have robust procedural rules for making and vetting investment decisions along the entire organizational chain of command. These rules would help to ensure that these entities' business activities are properly insulated from undue influence both by private sector interests and by political incumbents. To this end, the NIB and especially the NCMC will be required to select individual projects for inclusion in their asset portfolios through public auctions. Any public or private entity with an economically viable plan for providing currently under-provided collective goods would have a fair and equal opportunity to apply for the NIA funding. Regional NIA offices will play a particularly important role in this process. A specially designated committee of the NCMC or the NIB, as appropriate, would conduct a thorough analysis of each proposed project and choose the ones that meet their—formalized and transparent—internal requirements.

PUBLIC INTEREST COUNCIL. To enhance the NIA's democratic accountability, Congress should establish a special Public Interest Council (the Council). The Council will comprise academic experts and public interest advocates, all of whom are independent of both the industry and the government.[23] It will perform primarily an advisory and evaluative role, by providing an independent intellectual perspective on substantive policy issues faced, and strategic decisions made, by the NIA in the course of fulfilling its mandate. The Council would submit mandatory annual reports to Congress, containing its assessments and criticisms—and non-binding recommendations for improvement—of the NIA's performance. Importantly, establishing this type of an institutional channel for inserting public interest into the NIA's political accountability and decision-making structure would serve as a powerful check against the strong pull of industry influence.

E. SUMMARY: THE NIA AS AN INSTITUTIONAL LEVER FOR CHANGE

The proposed NIA is envisioned as a highly capacious federal instrumentality, operating alongside the Treasury and the Federal Reserve, and directly allocating both public and private capital to enable the economy-wide shift to clean energy and sustainable growth. It will serve as a permanent institutional platform for mobilizing and directing the nation's financial, technological, and human resources to where they are needed the most in our battle against global climate change.

In fulfilling this mandate, the NIA will act directly in private markets, not only as a public lender and guarantor, but also as a public asset manager and venture capital fund. In that latter capacity, the NIA will systematically channel private investors' money into public infrastructure projects that currently do not get financed in private markets.

Bringing private investment into clean energy and environmentally safer public infrastructure is a fundamentally efficient public policy. It will dramatically amplify the impact of federal funding and reduce the cost to the public of financing the massive shift to a clean economy.[24]

From the public policy perspective, moreover, this hybrid business model of "public management / private funds" offers several additional benefits:

1) A hybrid, market-actor NIA will not be directly subject to politically determined federal budget constraints. Not having its activities hamstrung by Congressional politics is a critical advantage in light of the NIA's ambitious mandate.

2) By offering an attractive new "safe" asset class to institutional investors, the NIA will help to solve presently intractable problems with persistent misallocation of capital and excessive accumulation of risk and leverage in the financial system. By draining large institutional investors' demand away from speculative short-term or riskier private equity assets, the NIA would function as an important market mechanism for creating currently scarce "patient" capital and enhancing systemic financial stability.

3) Raising money from pension funds, insurance companies, and other institutional investors will provide the NIA with an important market feedback and signaling mechanism. If the NIA's performance is consistently poor or inefficient, private firms will either refuse to invest in NIA

issuances or price these inefficiencies into their investment decisions. These dynamics of market competition will serve as an important safeguard against cronyism and excessive political interference in the NIA's operations.

4) By inviting public pension funds, "green" funds, and other mission-driven institutions to partner with the NIA, the NIA will strengthen these entities' abilities to pursue their financial strategies more successfully and assertively. Having a ready source of patient capital dedicated to environmental and social justice may also encourage the emergence of new forms of mutual and employee-owned investment vehicles, thus democratizing ownership of financial assets.

5) Finally, the NIA will offer many Americans a chance to invest more of their personal savings in clean infrastructure and economic revitalization, combining the financial benefit of adding a "safe" asset to their portfolios with the sense of moral satisfaction and individual empowerment. This will give a concrete expression to a new understanding of finance as a fundamentally public resource and a legitimate arena of direct public action—a critical step toward a deeper democratization of finance.

Conclusion

The coronavirus pandemic presents a rare window of opportunity for a nationwide shift to a clean economy. Large-scale rebuilding and "greening" of America's public infrastructure is the core element of this shift. Over the past few months, Democrats in Congress have been working on an infrastructure-based stimulus package that would address the compounding effects of climate change and the pandemic-induced economic crisis. An increasingly strong emphasis on clean infrastructure building is also indicative of the broader climate policy priorities that the next Democratic Administration and Congress are likely to pursue in the coming years. As shown in a recent report published by the House Select Committee on the Climate Crisis and Joe Biden's new climate plans, there is significant political momentum behind an economic recovery program that would bring together domestic job creation, infrastructure development, and clean energy.

To seize this momentum, we need an effective institutional mechanism for scaling up and directing massive amounts of public and private investments into an environmentally sustainable, equitable, and inclusive economic growth and recovery. The NIA is proposed as precisely this kind of an institution. The NIA would take on the critical task of coordinating and financing a wide range of climate-related infrastructure projects. It would invest in the nationwide construction, modernization, and expansion of clean water and wastewater management systems, offshore wind and solar energy farms, high-speed rail and broadband networks, power transmission lines, and clean car manufacturing. These are only a few examples of vitally important clean infrastructure projects that U.S. capital markets do not currently fund at the levels necessary to meet science-based demands. The NIA would fill this funding gap and put the necessary financial resources behind the strategic "greening" of the U.S. economy.

The need for the NIA is especially urgent today. In the wake of a major public health crisis, we are standing on the brink of another Great Depression, with millions of Americans out of work, businesses out of cash, and stock markets out of touch with reality. So far, our existing financial ecosystem has failed to respond to these pressures effectively. It is even less prepared to meet the far greater challenge of averting the looming climate catastrophe. Now, as the political tides turn toward post-pandemic recovery and clean energy-based economy, we need to keep a razor-like focus and think creatively about what kind of institutions would sustain the fundamental transformation we seek. Creating an NIA would give us an invaluable tool in our fight against climate change and for a better, more prosperous and just, future. It has to be a part of our political agenda.

ENDNOTES

1. Data for Progress, Green New Deal, https://www.dataforprogress.org/green-new-deal
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