Memorandum

To: President-Elect Biden & Vice President-Elect Harris

From: New Consensus

Date: 17 November 2020

Re: Building Back Better with or without Senate Majority

Dear President-Elect Biden and Vice President-Elect Harris,

We could not be happier for the nation that you have won election to the White House. Congratulations! In a spirit of both celebration and collaboration, we wish to show in this Memo how much you can do to 'Build [Our Country] Back Better' whether you have a cooperative majority in the Senate next year or not.

The most urgent task you will face, as you've noted with reassuring frequency, is of course the yet-again spiking Covid pandemic that has devastated our nation since early this year. Happily you have already named a full Task Force, headed by experienced public health experts with knowledge of medicine and public health crises alike, to commence planning our nation's long-awaited mobilization and coordinated response this past week.

While arresting and reversing the ongoing pandemic will be a major achievement, it will also be little more than a prerequisite to addressing a longer-term task that has been decades in the making – the task of rebuilding and renewing our republic, its supply chains and productive capacities, and its social fabric – what you have aptly called 'the Soul of our Republic.' After decades of unremitting deindustrialization and infrastructural degradation, along with the social unraveling that such decline always brings, our nation is in need of a thorough public health *and* industrial-infrastructural reconstruction – what you've called a 'Building Back Better.'

It is of course possible that you will have both House and Senate majorities to work with in pursuit of our national healing. But it also is possible that you will have no more than the 'advice' of, without much 'consent' from, the Senate. We offer the following three-part Plan – a sort of 'three-legged stool' for national redevelopment – with that possibility in view. We begin with a fuller definition of the Task, then elaborate the Plan, and finally enumerate the benefits that will flow from the Plan's implementation.

1. ***The Task***

The most urgent task facing our nation once the current pandemic is ended will be to renew, comprehensively and cost-effectively, our nation's full productive powers across all sectors of our economy and all regions of our continent-spanning republic. The U.S. should be second-to-none as an incubator and grower of tomorrow's industries, and as a producer, consumer, and exporter of environmentally sustainable products, services, and technologies. This is a goal that Republicans, Democrats, and Independents presumably all share.

The U.S. must also *achieve* this aim in a manner that brings renewed productive activity to literally every Congressional district in the country (as the New Deal did), and that optimally combines the efforts of both the public and private sectors, of all sectors of our economy, and of all levels of government, from local to federal. This was one of the secrets of the success of the New Deal – its comprehensiveness both as a sectoral and as a geographical matter, as one would hope of any grand national project that would be small 'd' democratic. It will also be a means of beginning to heal the ethnic and urban/rural divides that now scar our nation – as recent electoral trends indicate and as had occurred before the original New Deal too.

This broad ambition seems to us to entail three distinguishable but mutually complementary objectives – what we can call 'the three "I"s':

1.1. ***Industries***: We must foster, nurture, and scale-up to self-sufficiency today the industries of tomorrow – from solar panels through wind-turbine generators and 6G networks, to life-extension, space exploration and far beyond. These industries, again, should be spread across the entire nation, in a manner encouraging even development continent-wide. This is what we did in the 1930s and 1940s, and is what we must do again.

1.2. ***Infrastructures***: We must provide state-of-the-art renditions of all essential shared infrastructures on which business firms, industries, and our citizens rely – from transport networks through communications networks and power grids to above-ground private transit, high tech schools and beyond. Here too it is not just a matter of restoring what we have, but also of building what in future we'll need.

1.3. ***Investments***: Because 1.1 and 1.2 have many attributes of what the economists call 'public goods,' in which private sector actors have neither the jurisdictional authority nor the coordinative or financial capacity to invest in socially optimal amounts, we must collectively make strategic self-liquidating *public* investments in fulfillment of objectives 1.1 and 1.2, precisely in order to make *private* investments in future more *viable* and more *profitable*. We should ensure that this public investment is both (a) adequate to the vast scale of the task, and (b) sufficiently *growth-generating* as to *afford the means of publicly extinguishing loans or remunerating equity investments* with the proceeds of successful projects or project portfolios. That is how any investor ensures that expenditures are *bona fide investments* rather than mere expenditures alone. Note that this means, when the investments are public, that they will not be inflationary; for they yield the very products, services, and infrastructures that will absorb the moneys spent to finance them.

2. ***The Instrumentalities***

We already have all federal instrumentalities needed both to make a concerted national project of 1, and to meet the specific objectives of 1.1 through 1.3, above. This means that however *desirable* new bipartisan *legislation* might be as a matter of signaling, it will not strictly speaking be *necessary* to effectuate the plan that we now propose. The President, the Vice President, the Cabinet and the Federal Reserve can make all four of the following institutional reconfigurations under existing law with a view to ensuring coherent and coordinated planning and execution of a comprehensive and capacious national rebuilding.

2.1. ***National Development Council***: The President, the Vice President, the Secretary of the Treasury, the Chair of the Federal Reserve Board of Governors, and the heads of all Cabinet-Level Agencies of the National Government with jurisdiction over critical industries and infrastructures should first form a *National Development Council* (NDC) charged with two tasks: (a) formulating and regularly updating a coordinated National Development Strategy (NDS) highlighting industries and infrastructures of national and global significance that the U.S. can and should foster, grow, and globally lead on; and (b) developing *specific projects or project portfolios* in *pursuit* of the NDS. This is what our *national defense* agencies do, and it is high time our *infrastructural and industrial* agencies did likewise – think and plan *systematically* and *strategically ahead*. The Council should meet at least monthly. It should also include, in *ex officio* capacities, the Speaker of the House, the House Majority Leader, the Senate Majority and Minority Leaders, and both state and city officials as well as private sector business leaders, in order to maximize 'input' as to what the nation's perceived industrial and infrastructural needs are. For reasons elaborated below in 2.3, our regional Federal Reserve Banks should participate too.

2.2. ***National Development Bank***: A National Development Bank (NDB), formed as a fund within Treasury, can function as a coordinated-financing arm of the NDC. The Treasury's already-existent Federal Financing

Bank (FFB) can also be used for this purpose. (Cf. PL-93224, 87 Stat. 937.) Either way, the NDB will develop specific financing plans for specific NDC projects or project portfolios, subject to NDC approval. Depending on the projects, financing modalities can include direct grants, loans, forgivable loans, equity investments, and of course combinations of these. These financing modalities can also permit for private investment alongside public investment on some projects, as a means of absorbing investment capital that might otherwise inflate financial bubbles, on condition that private investors shall under no circumstances have 'say' over, as distinguished from offering advice in connection with, NDC projects. The NDB may also contract or otherwise collaborate with other federal agencies – the Army Corps of Engineers, for example – to execute all or part of some projects.

2.3. ***'Spread' the Fed***: Completing the Plan's institutional reconfigurations will be a restoration of the Federal Reserve System's original purpose. The Federal Reserve System (FRS) was originally conceived as a network of regional development-finance assistance institutions – the Regional Federal Reserve Banks (FRBs) – coordinated and overseen by a Board of Governors (Fed Board) in Washington. Regional FRBs monetized commercial paper issued by small businesses either directly or indirectly (through local community banks). This original mission of the Regional FRBs should be restored, with the banks monetizing paper associated with promisingly productive – not merely profitable – new projects or business expansions across every region of the nation. In effect, this mission has already begun to be restored in the form of the Fed's new Municipal Liquidity and Main Street Lending Programs. The problem is that these are administered entirely by shoestring staffs at the Federal Reserve Bank of Boston and Federal Reserve Bank of New York, respectively, which makes no sense administratively and is unfair to the FRB staffs. We must accordingly 'Spread the Fed' by distributing administration of its locally oriented programs across *all* of the regional FRBs. The Fed Board will afford guidance to the Regional FRBs as to what counts as 'productive' by reference to the NDS formulated by the NDC, on which the Fed Chair sits. This will help integrate Fed action both with democratically determined NDC decisions (2.1 above) and with NDB operations (2.2 above). NDB financing can also be coordinated with regional FRBs. (See, e.g., 31 U.S.C. §§ 5301 and 5302.) The aforementioned NDB may also maintain offices in the Regional FRBs to enable fuller coordination. And the Regional FRBs will retain their present authority to *open additional offices* in cities throughout their jurisdictions, to ensure adequate Fed development assistance in *literally every precinct of the country* in need of it. This presence in all Congressional Districts, again, was one of the keys to the original New Deal's success.

2.4. ***Digital Taxpayer Wallets***: The reconfigurations just elaborated will of course add assets to the public balance sheet, continuing a trend that grew noticeable in 2008 and greatly accelerated with the coming of Covid last winter. Corresponding to these new assets, of course, will be new liabilities, which we believe should take the following form: Either the Fed or the Treasury will establish a system of peer-to-peer (P2P) digital 'Taxpayer Wallets' through which citizens, businesses, and approved residents can transact 'vertically' with public entities and 'horizontally' with one another in real time. The already-existing 'TreasuryDirect' system of electronic accounts, which allows any person who wishes to buy or sell Treasury Securities literally within seconds, can be converted into such a system within weeks. So says U.S. Digital Service, an agency of our Executive charged with keeping the technology used by our government 'state of the art.' Later the digital wallet system can be migrated over to the Fed, enabling our central bank to conduct 'leak-proof' monetary policy by offering interest on wallets to slow down spending in periods of overheating growth, and lowering rates or even making direct stimulus expenditures (digital 'helicopter drops') into wallets during slowdowns. Among the advantages offered by such a system will be: (a) commercial inclusion and free public retail banking to all citizens, businesses, and approved residents; (b) faster transaction speeds and hence higher 'money velocity' and associated growth; (c) secure payments and banking privacy; (d) keeping ahead of global competitors like China and other countries now developing digital fiat currencies; and finally, (e) an easy means of making fast small business loans in keeping with 2.2 and 2.3 just above. If you worry about too much competition with private sector banks, you can always cap wallet amounts at, say, $3,000. In the long run, banking more of the 25% of Americans who are now un- or under-banked will bring more Americans even into private sector banking, as they grow used to the benefits of using accounts rather than payday lenders.

3. *The Benefits*

The Plan just elaborated offers a plethora of benefits that should recommend it to Democrats, Republicans, and Independents alike. Among these are:

3.1. ***Growth & Employment***: The boost in productive investment that the Plan affords will generate both enormous growth and enormous employment gains in high-quality, high-paying industrial and infrastructure jobs across our full continent-spanning republic. That will in turn also generate increased federal, state, and local revenues.

3.2. ***Innovation & Small Business Ownership***: The restoration of the Fed's small business fostering mandate under the Plan will aid cutting-edge new businesses, as well as sole proprietorships, family firms, family farms, and worker-owned firms in gaining a toehold in the fast-paced American economy. And again, this will occur across our continental republic's full geographic expanse.

3.3. ***Greentech Growth***: The Plan's focus on tomorrow's industries will perforce be investment in green technologies with vast carbon-eliminating and planet-preserving significance. State-of-the-art industries and infrastructures are now green industries and infrastructures, such that to modernize is to harmonize with a livable planet.

3.4. ***Export Growth***: The Plan's focus on cutting-edge industries with great export potential will help restore America's lost role as a world leader both in developing new industries and in prospering through worldwide demand for its unrivalled products.

3.5. ***Debt & Deficit Reduction***: The Plan's focus on projects that are in aggregate self-liquidating – that is, remunerably productive – will both reduce public debt and avoid inflationary pressure, precisely because its expenditures are used to finance the production of the very goods and services that will absorb newly generated credit and money, rather than simply to speculate on secondary financial and derivatives markets on already-existing paper assets.

3.6. ***Financial Stability***: By rerouting investment capital to productive investments rather than speculative secondary and derivative financial markets, the Plan will eliminate the principal source of the financial volatility that has plagued the nation's financial markets over the past several decades – namely, the flow of credit to financial rather than real assets over three decades of degraded and 'outsourced' production.

3.7. ***Wealth & Income Inequality***: Finally, by both growing jobs in remunerative manufacturing and infrastructure on the one hand, and ending financial bubbles whose aftermaths always worsen inequality on the other hand, the Plan will assist with the urgent multi-sectoral task of restoring an equitable sharing of the nation's resumed growth. Few developments could do more to restore cultural health and social stability to our ailing nation.

new consensus

Conclusion

The Plan we've just outlined, again, can be pursued with or without formal legislation. Of course the latter might be desirable and even forthcoming in light of its obviously nonpartisan, pro-growth appeal, and we've no doubt you will be seeking it. But should that not happen, as you know, the nation does not have the luxury of waiting for such perks before tackling its most urgent and indeed 'existentially' compelling needs. What *can* legally be done *must* quickly be done. This is especially the case when lack of bipartisan support has become often less a matter of good faith disagreement over policy merits and more a matter of self-interested tactical jockeying for partisan power at or during the next electoral cycle.

The keys to the Plan's success are several. First is its focus on both cutting-edge *industry* and state-of-the-art *infrastructure*. Second is its careful coordination of efforts coherently across all sectors of the economy and all Congressional Districts of the nation, not to mention all levels of government and both our public and private sectors. And finally third is its making optimal use of instrumentalities that we already have, simply reconfiguring them so as to enable them to address new challenges and new circumstances.

In this sense, the Plan is as 'conservative' as it is *transformative* – it merely 'tweaks,' but it does so in 'levered,' 'high impact' fashion. We can thus think of it much as we might think of the gear shift on the bicycle that President-Elect Biden rides to keep fit (a version of 'Ridin' with Biden'): a quick flick of the thumb or forefinger enables immediate acceleration to one's desired speed, no matter the slope – uphill or down – of the terrain we are riding. Let us, then, start the ride. And please know we are eager to assist you in any way that we can.

Godspeed!