CENTER FOR NATIONAL POLICY

AMERICA'S CRUMBLING INFRASTRUCTURE: AN ISSUE OF NATIONAL SECURITY?

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STEPHEN FLYNN: I will just do a quick introduction of – just say, hello, to all of you here. Thank you so much. This is my inaugural event here at the Center for National Policy. I've been on the job almost two weeks officially here. And I couldn't be more thrilled, obviously, to see all of you here today. We could probably potentially excuse this as a fundraiser opportunity to say we need more space, so therefore – because we've got quite an overflow. But thank you all, so I'm really honored to have you.

I would just like to specifically point out my chairman here, Peter Kovler, and thank him and the board – John Freidenrich, another board member of mine here – and Boardmember Mike Barnes - who made it possible for me to be here today. But what I will now do is turn the program over to Tom Gjelten who I'm so thrilled has been willing to do this today.

TOM GJELTEN: Well, hello, everybody, I'm Tom Gjelten from NPR. I'm going to sit down, if you don't mind. I cover national security issues at NPR – actually a wide variety of national security issues. That's sort of my special niche; everything from financial meltdowns to cyber issues to energy dependence issues to climate change, and starting today, infrastructure issues, as well – (laughter) – a new national security issue for me and a new national security issue for the Center for National Policy, which today starts off on a new decade and a new leader in Steve Fallon – Steve Flynn.

MR. FLYNN: You combined us together there! (Laughter.)

MR. GJELTEN: The center, of course, has been devoted for more than 25 years to a sensible and nonpartisan discussion of critical national security challenges, and Steve brings deep expertise to this position with a particular focus on homeland security, a long and distinguished career in the U.S. Coast Guard, experience at the National Security Council and, more recently, the go-to guy at the Council on Foreign Relations on Homeland Security issues. And Steve is really going to keep the center in the forefront here in Washington focusing on this critical issue of our crumbling infrastructure by stressing the national security implications.

I think we all know it's going to be a challenge to get politicians and policymakers in this town to think about long-term challenges like this as opposed to short-term problems, but if anyone can, you can, Steve. And so let me just say, Steve, what a pleasure it is for me to have the honor of moderating this first discussion with you at the helm here at the center.

And I hope you've had a chance to read James Fallows' terrific piece that just came out. I just got my issue in the mail yesterday.

JAMES FALLOWS: You're a subscriber? (Sighs.) A man of greatness.

(Laughter.)

MR. GJELTEN: It was probably online about two weeks ago. (Laughter.) "How America Can Rise Again." And one of the things that's interesting, I mean, Steve is going to talk about our crumbling infrastructure, but I think one of the things that you do in this piece, Jim, is that you really widen the infrastructure issue. It's not just about crumbling bridges and overcrowded highways and inadequate mass transit and other physical aspects – important as they are – but also the human infrastructure, our educational research systems, our scientific foundation, our entrepreneurial environment, even our governing institutions.

I think that both these gentlemen are going to have some discouraging things to say but at least James titles his piece, "How America Can 'Rise' Again." (Laughter.) And in fact, James, I noticed that you do begin your piece with your account of how impressed you actually were by America's strength returning after 3 years in China.

And I think that we are reminded of our great strength and our blessings today, in particular, as we consider the devastation in Haiti. In fact, I hesitate to use the term "crumbling infrastructure" with reference to America, given to what we literally see crumbling in Port-au-Prince today.

It seems like the earthquake there has literally destroyed the government, which I think is probably one of the biggest tragedies right now. I mean, there almost seems to be no official response, no evidence of a government response to this crisis at all. And the phrase that over the next few weeks, we're going to see what happens when a government is paralyzed in the face of a national crisis.

And for all that we may lament about our own unpreparedness, it does appear as of this morning, once again, that it's likely to be the United States and in particular the U.S. military that will find itself with much of the responsibility for managing this disaster.

So Steve, I already warned you we can't let this opportunity pass without at least an initial thought, a brief thought from you on this, putting on your old Coast Guard commander uniform here for a moment. You would have been in the forefront of a response effort had you still been in the Coast Guard. What were your first thoughts? What are your thoughts this morning as you look at this, again, from kind of a Coast Guard/U.S. military perspective?

MR. FLYYN: Yeah, I had the chance to visit Haiti in 2002, and one of the things that was really striking, of course, about any visit to that country is how broken the infrastructure is. You've got a mass of humanity largely that's been displaced by a perfect storm of problems.

It started with the deforestation that led to – because of the rains and so forth that come through the area – washing all of the topsoil away into the surrounding water areas, destroying the fisheries, eliminating basically the limited capacity they had for agrarian economy, displacing people to a city that was really designed to have infrastructure for about a quarter-million max; we have 2.5 million people gathered in an urban area with that level of insufficient infrastructure.

And then the ground just moved and destroyed what little of that they had. And the scale of that tragedy, and that fact that they are, of course, literally trapped on an island where the

lifelines must be the outside world, it's just – I almost – it takes your breath away to figure out how would you respond in the first minutes.

I can say that the very first vessel there was a Coast Guard cutter; arrived in the harbor. It literally left on Tuesday night from Guantanamo, arrived Wednesday morning, and their function is to serve as an air traffic control tower because that was taken out, so you can begin to process of moving things in.

There are so many things we take for granted on infrastructure. So much that we've been blessed with in our society. And one of the themes that has really sort of mobilized me on this issue is we are a generation that are arguably, like, grandkids, who've inherited a mansion. And most of us decide we're not even going to do the upkeep. You know, and people are driving by and going, hey, nice house. But the plumbing's gone to hell, the wiring's shot, and we as a country are saying, we can't even afford to maintain it, never mind to invest and upgrade it.

Somehow, we've convinced ourselves, seduced ourselves, that infrastructure doesn't really matter; it just always will be there. We're used to just coming in a room and flipping a switch and having power. We don't think about what actually it's doing. We're used to going and getting a drink or flushing a toilet and having it go away. Well, that's an infrastructure that was built by the energy, the innovation, the courage, investment, by our generation that went before us, and we're just squandering it as a country.

And you know, Haiti is the end state, right, when you don't do stuff, where you could end up where you can't even help yourselves when things go wrong. We obviously have a lot of capacity and that's why – the book that I wrote that got me into this was called, "The Edge of Disaster," but the original title was "Rebuilding a Resilient Nation." Random House didn't think that was a very sellable title –

MR. GJELTEN: You've got to be more alarmist.

MR. FLYNN: Right, more alarmist, so they wouldn't even put it on the cover. You know, it's in the title page. But I have the same sense of optimism and renewal on this as well that we have the means. We've done this before; we can do it again. But we really need to recognize first, like an alcoholic, we have a problem, and now we need to put ourselves through a 10-steps program to start to address the problem. And that's something I hope we'll be doing here at the center.

MR. GJELTEN: Well, you know, 48 hours ago if you flipped a switch in Port-au-Prince, the lights would have come on. I mean, there was –

MR. FLYNN: Some of the time.

MR. GJELTEN: Some of the time. But does it sometimes take a disaster or some kind of calamity to underscore how fragile a country's infrastructure is? I mean, thank God we're not dealing with that right now but we can have disasters here, too. I mean, is sort of one of the points here the fragility of infrastructure when investments are neglected?

MR. FLYNN: Absolutely. Our most vivid example in the United States is what happened after Hurricane Katrina, which was not a natural disaster; it was a manmade disaster as the result of a flood-control system that was not even up to par to deal with the category 1 winds which hit New Orleans. You know, at the very last minute, the hurricane actually had veered to the east, so the full force of the storm did not hit New Orleans. It basically was essentially a neglected infrastructure – well-documented neglected infrastructure – that failed not even at full test: at subtest. And that's what drowned that major city. Not the storm but the failure of infrastructure.

And what we've responded – and I've shared this with Jim there – I was born in 1960 and that was still a time when great public works were a source of national pride. We had the very best interstate highway system in the world and were the envy of the world. We had the best airports, sparkling new; and on it went. And we were invested in universities and research and development and the so forth, here. I grew up with the man on the moon and all that.

I have a 14-year-old daughter. When she was six years old, the World Trade Center's towers came down as a result of a manmade attack on infrastructure. When she was 8 years old, we had a major city drown as a result of the – I'm sorry – it was when the lights went out in the Northeast – recalling 2003, we had a power outage that swept through the whole Northeast because of the grid failure.

When she was 10 years old, we had a major city in this country drown as a result of a failure of an infrastructure. When she was 11, a bridge fell out of evening commuters on the way home from work in Minneapolis. I watched things be built up and her generation is literally watching things fall down. And what our response is – we'll fix that bridge; we'll fix this one levy problem we have down in New Orleans.

So my concern here, Tom, is even these wake-up calls – literally, here in D.C. we had an SUV end up in the manhole was because the wastewater system from moving water around is literally collapsing underneath us, sucking up SUVs, and we're going, oh, gee, that's kind of strange, like a UFO hit us, when it's pretty straightforward that this is an issue that we have to address.

MR. GJELTEN: Well, before we mire in despair today, let's at least take a couple of minutes to have a kind of a hopeful start here. Jim, one of things that I really liked about your article is that you point out that America has been through this before. We have a sort of a tendency to despair a little bit and yet, one of the things that you have called attention to is our adaptiveness, our resiliency.

Is this a challenge – the challenge that Steve just laid out – this infrastructure challenge – is this one too big for us or do you have some confidence that America can stand up to this challenge, demonstrating the kind of resiliency that we've seen in the past?

MR. FALLOWS: Let me answer that slightly indirectly, if I could, and then I will try to answer it. The origin of this article in The Atlantic, as I had been living outside the country for

the past 3 years in China, and seeing all the things that Steve is talking about in terms of infrastructure construction, you see it taking place in China now. most of China is still – or, most people in China still don't have indoor plumbing, electric supplies are variable around the country, but day by day by day, new freeways are being built and new subways – in the time we were living in Shanghai, there were four whole new subway lines opened during the 18 months we were. And then we moved to Beijing and it was the same thing before the Olympics. So you see the kind of transformation.

So in coming back here, I wanted to say, is the U.S. – look, with this comparison, as you mentioned, it was interesting to me in talking to U.S. historians how, from practically the moment of our inception not simply as a nation but as a society there've been warning that things were able to go to hell. And just after John Winthrop arrived, there was a famous lecture about how we'd fallen short of our golden days, and, you know, back in 1620, things were fine, but now in 1621 – (laughter) – we'd lost the old standards. So it is a chronic and perhaps a necessary part of sort of a stimulus response cycle in the U.S.

The question is – which I try to address, and was very grateful to talk to Steve for – is whether the scale of the problems is beyond our response capacity. In one sense, the answer to that is certainly that it's not beyond our response capacity. This is an unbelievably rich society by comparison not just with Haiti but also with most of China and most of the rest of the world, and so if attention were brought to bear on any of these topics, they would be easy to fix.

I mean, we have spent – you certainly have costed this out, Steve – although I don't remember at the moment – the comparison of nation-building in Iraq and Afghanistan versus nation-building in the U.S. and how the same money would apply here. I don't make that as an antiwar argument but just as a "the means are there if we want them" argument.

The question, I think, is whether the actual fabric of our political system is now capable of responding to these stimuluses. And I'll just leave that with two points. One is, you were mentioning, Steve, that the first response in Haiti was going to be the U.S. military and that's the way that – you know, it is the case that the disaster-relief agency of choice around the world is the U.S. military, whether it was in Burma or Indonesia after their disastrous tsunamis or in Haiti or in much of the U.S. in Katrina.

If it is the case that the only instrument we have of national purpose is the military, you know, we can justify things for military reasons like the Interstate Highway Act or whatever, then maybe we should just recognize that as how we are; that there has to be some kind of defense justification.

The other sobering fact is whether we rely on genuine emergencies to focus our attention. And 9/11, 8-plus years ago, was a genuine emergency. I think among its tragedies was the missed opportunity factor of that emergency. It could have been a great national rebuilding stimulus and it wasn't. And we can't simply sit around waiting for another big disaster.

So an argument I submit in this article is that we have tremendous rebound capacity but in terms of directing public attention, we seem to have only the military as a legitimate vehicle,

and we seem to need an electric cattle prod and an emergency to do things. And that would be cause for worry, so I am hoping that Steve's center will come up with other practical alternatives to waiting for 9/11.

MR. GJELTEN: Do you get any sense, Jim, that we even have a sense of crisis in this country right now? I mean, we certainly have a sense of economic crisis, we certainly have a strong sense of our security vulnerability to terrorism; how much of a sense of crisis do we really have toward the issues you're talking about?

MR. FALLOWS: That's an excellent question. I was struck coming back here – for most of 3 years I was not in the U.S. – and I was struck that even though the objective circumstances in China are unimaginably more difficult for most people most of the time than they are in the U.S., there was basically more positive attitude in China than the U.S. I came back here; people were rich and worried.

So we may have the worst of both worlds. People are scared and worried without being motivated. So it's like the person who – choose this person's bad habit, whether it's smoking or drinking or overeating or whatever – and they say, oh, I'm smoking too much, as they light up another cigarette; sort of feeling bad but not doing anything.

MR. GJELTEN: Well, Steve, the issue – the word that you used – and you're going to have to use it a lot here if you're going to focus on infrastructure – is investment. Now, how do you – I mean, investment is money. You've been talking about this issue since before the economic crisis. How much harder is it going to be now?

MR. FLYNN: I think the key is that the word is investment, though, versus that it's cost. I mean, for almost 30 years, we've been talking about expenditure, certainly, of public resources. But most things we talk about with infrastructure is a cost, and can we afford the cost; versus the kinds of things when you think about investment, which, of course, is taking some money you may want to spend right now but you can put it in something because you'll get a return down the road.

And everything we would do to invest in infrastructure would, one, generate jobs – obviously, to build it; you would improve our overall productivity and competitiveness and you would improve our quality of life.

So the notion here – I mean, there's not really a downside, obviously, to making the investment on its basic level; and if we're smart – and I'm making the case that actually we will need a hybrid infrastructure for the 21st century. Even if we can afford to and we can't simply replenish in the existing infrastructure – you know that was at the end of his life – rebuilding it the way we did the first time would not make a whole lot of sense. Our economy is different today than it was when it was built. Technology has moved on. The environmental sustainability issue is much more in the forefront.

And then, the issue that I've been focusing on, the security risk, whether it's acts of man or acts of God, that is also in there. And what we have to think about is resilience, so that it actually provides a continuity for its projected life cycle.

So why are we doing it? I mean, it's this in-plain-sight problem. I'm sort of having this sort of déjà vu working the terrorism issue before 9/11, you know, sort of around, why is it that we don't see that this is a problem? All right, it isn't the scale of the problem, frankly, we've hyperventilated about, but a very serious threat that there wasn't much attention being dedicated to.

Why is that also the case with infrastructure? I think there are three basics reasons that you really weren't hitting at. We basically decided, we don't think we can afford it. We can't afford it. And so when you look at the numbers – you know, the American Society of Civil Engineers, of course, has been doing this report card – very helpfully, I think –a while here. The problem is they're running out of grades – (laughter) – because we're at D-minus now. With the forecast we're on, it's a guaranteed F next time, and then what do you do after there, right? There's not even a glimmer on that side.

But it's, like, a $1.5 trillion if you wanted to take just the sum of the existing inventory and basically invest in it to give it life again – the projected life. That just seems right now as just an impossible number. So first, we don't think we can afford it.

The second is I think we're – and I think Americans are quite legitimate on this here – we have no faith in the process that will decide what we should do to how to prioritize it. Fundamentally, at the local, state and federal level, the system is corrupt. We end up basically with bridges to nowhere when we should be investing in things that are critical, but the process that by which we decide what to do doesn't look like something that people want to say, here's some money; go do it. They've lost faith in our capacity at the policy level, at all levels of government, that we can actually focus on the things that would really make sense to do, that would give us the return on the investment.

And the third issue is I think – and this is something I'm glad that Jim started talking to me – and I feel very strongly about this as well. We've lost our faith that we even know how to do it anymore. The stories are, the "Big Dig" with tunnel piles coming down; it takes forever. It seems to be guys sitting on the side of the road most of the time looking at one guy with a shovel, and it takes us 10 years to get around. So we have this sense of don't even get started because it'll be a nightmare.

Where it gives me a sense of optimism is actually something – I recently was in a meeting with the Port Authority of New York-New Jersey, which owns more infrastructures – transportation infrastructure – than any other entity virtually on the planet. And it was in a meeting at the architectural firm that supports the Port Authority in these long-term projects that had photos of major projects in places like Shanghai, Beijing, Rotterdam, Sydney. The expertise for doing this is still in this country. The engineering, architectural expertise is here.

MR. GJELTEN: But they're working elsewhere. (Chuckles.)

MR. FLYNN: They're working overseas! So we know how to do it, we can do it, but we do have to figure out different ways. It's not going to be the New Deal that will get us there; but it also isn't that the market is going to fix this stuff overnight. We really need to come up with a must-do list that is vetted by folks that people can say, yeah, that's a good thing. And we have the intellectual and skills set to do that. It probably would have to be outside the political process. One of the things that we may try to do here at the center is try to get at that.

And then we also have to clearly find ways that we can innovate. And then if we do that, basically, the final point I'm going to make on my sort of being optimistic about this, we're the first developed country that really has to confront the problem of a legacy infrastructure at the end of its life; that has the challenge of developing the hybrid for the next century.

If we get this right, we'll export this expertise to the rest of the developed world that has the same problem that will be coming up to them. This is something that could be part of our – not just our competitiveness here at home but something that, in fact, arguably, America could again do for the rest of the world and be helpful for.

MR. GJELTEN: A very quick question for both of you, referring back to that New Deal comment of yours. Quickly, Steve, how would you grade the U.S. government's use of the stimulus opportunity to make a head start on that? And the same question for you, Jim, with respect to China.

MR. FLYNN: (Chuckles.) F.

MR. GJELTEN: A $700 billion opportunity.

MR. FLYNN: Well, the actual money that went to infrastructure, of course, was much smaller, right?

MR. GJELTEN: That's what was saying, it was an excuse –

MR. FLYNN: Yeah, yeah, it was an opportunity, yeah – basically, 58 billion, I think, is the number. And even there it gets pretty soft. Part of the concern – I was trying to make a case when this was unfolding that there was an opportunity for us to talk about this as a national security imperative that would help us to prioritize what's most important first.

And then secondly, also, this environmental sustainability piece we would bake into this the stuff that would make it more sustainable. And we should therefore use the leverage of the stimulus money to advance those two key public goods at the same time as creating jobs and getting money into the system.

The response was lousy by the economists was, "it's not stimulus if it doesn't get out there right away," "if you add more criteria to the effort." Remember, we were chasing "shovel-ready" jobs – "it will slow it down, we won't get the economic benefit." My reaction is that if at the end of the year you end up with bridges to nowhere, you will have discredited what is a long-

term problem; you will feel the cynicism, and by the way, our government frankly is not competent enough to spend the money as quickly as you think it should be spent – which of course turned out to be the case – we don't have enough procurement officers, we don't have enough acquisition people, and so there was an opportunity – there still is, I mean, as we talk about this a second time.

And I would dovetail even – and one of, again, the things we saw by a failed terrorist attack that got this town in meltdown over the last two weeks is that the danger of terrorism is not what terrorists do to us, but what we do to ourselves – or specifically it seems to be to our elected officials – when we're spooked, the overreaction.

Now, this is inherently bad national security because the motivation for our adversaries to engage in actions of terror is to get as big a bang of a buck as possible. And if we basically say the unofficial doctrine of this country is that we will overreact every time something goes wrong, you're actually motivating our adversaries to say, well, let's keep trying.

The alternative is, the more resilient we are as a society, the more times these attacks are fizzles instead of meltdowns. So in that way if you look at our infrastructure, it's an attractive target for an adversary when it's brittle. You can get mass economic disruption, mass societal disruption. If we invest in it so that it's durable, resilient, under that kind of threat, if it does happen, very little does happen in consequence, we get a national security benefit. There's a deterrent value to investing in this.

MR. GJELTEN: I want to get back to that national security side of things, but let's just pick up for it. And I'm not going to make you talk about China all day.

MR. FALLOWS: No, but I want to, before talking briefly about China, just address and say Amen to the point Steve was just making about terrorism. I did a lot of reporting and writing about the sort of antiterrorist response before I moved to China. And I think the single most important and neglected principle in US policy is exactly the one you said: the danger of terrorism is not what they do but what we do to ourselves. And to oversimplify this, you could say it's not the bombers that are destroying the U.S. aviation industry; it's the TSA. I'm using TSA as a shorthand for overreaction on all fronts. I agree entirely with that.

Briefly on the Chinese front, I think their response has been both more successful and less successful than generally portrayed here and in ways with implications for infrastructure. More successful in that the Chinese had a much worse problem to deal with than the U.S. did in the economic crash, and the loss of probably 30 million jobs of low-wage people, who are going back to the villages.

And this was the greatest fear of a Communist government, is of course peasant uprising. And so they want to find work for these people and there largely was this huge outpouring of expenditure. We were driving in southwestern China I guess last April and it seemed like for every kilometer of road there must have been a hundred people shoveling stuff onto it. So there really was (more ways ?) to get money into people's hands. So that's the greater success is getting money into people's hands quickly and using it to build things.

The problem – there are two problems that I think the Chinese government has created with this response. Number one is, as you've probably read, asset bubbles of many sources are burbling up there precisely because the banks were told to loan money just to anybody over the last six or eight months. Their banks, unlike ours, have a lot of money to lend out and they did it and so that is causing problems.

The other is the perverse, or the intriguing opposite of your main concern, Steve, that there's been sort of too much investment in productive capacity and infrastructures, so that they're kind of prepared for another huge export surge, which is going to be disruptive to the world economy. They solved the initial problem but with some asset bubble and overcapacity issues being created along the way.

MR. GJELTEN: Well, let's talk about some national security issues for a while, and I think that, you know, there's various ways to go about this, but an obvious one is what does a neglected infrastructure mean as far as our vulnerabilities are concerned?

And we'll get back to some physical issues, but Jim, I want you to talk a little bit about just the last couple days. We've seen evidence yet again of the sophistication of the Chinese at really attacking our cyber infrastructure, right? How vulnerable is our cyber infrastructure to attacks? And this does get into physical infrastructure because, as you all know, I mean, you talk about the electrical grid, the point of vulnerability there is not physical destruction but cyber destruction.

MR. FALLOWS: So this is an issue that has – the specific issue of Google and China has been much on my mind the last three or 4 years. I spent a lot of time with Google China officials while I was there, and the larger cyber issue is that – I have a story coming out pretty soon in the next issue of the Atlantic about this whole cyber vulnerability. I would have written this story a little bit differently if I were writing it this week as opposed to two weeks ago, but that's life in the monthly magazine business. And I think – let me make a point about the cyber issue in general and then one about the Google-China situation in particular.

In the cyber issue in general, I think the same mindset that Steve Flynn is proposing for resiliency of all systems should be applied to the cyber world. It just is another area in which advanced society depends on networks that are certain to be subject to attacks from any number of sources, whether it's Chinese, whether it's Russian, whether it's Israeli, whether it's political, whether it's criminal. There's all sorts, whether it's unorganized.

And so I think the one distorting effect I fear about the current flap over China and Google would be a sense that, oh, this is only a Chinese issue and only a Chinese military-type issue. I think that's a part but it's probably not even the most important part.

One of the people I quote in my upcoming article – you might or might not agree – says that, yes, various attacks coming out of China are a serious problem, but they're probably not – they're certainly not the first-level problem and maybe not even the second-level problem. So many others are potential sources.

So I think that if we apply a possible political benefit of the flap of the moment is that it might bring attention to the whole resiliency argument that you're making, saying there are security implications to our infrastructure writ large and let's find ways to make it resilient.

The Google in China issue in particular – I think this is a, there are times when you feel as if you're living through actual momentous historical events. I think these last two days with Google in China are actual first-order history, in terms of the company that's currently ranked as the number-one brand in the world saying that the conditions in the most populous country of the world are no longer tolerable for it to do business there.

And there are very heated arguments you can make about whether this is a right or wrong decision on Google's part, but it's a very, very significant one. I think we're going to be – it's – I've written a fair amount on the Atlantic's site about implications of this, which we can go into, but I think, I'm going to say, it's just a very important moment for China, for the U.S., for tech infrastructures.

Another 10-second point: I think that the Chinese government, like any government, goes through sort of phases of engagement and withdrawal from the rest of the world. In the last two or three months, we've seen a number of sort of markers of the Chinese government playing tough, in a way that it hadn't in the previous couple of years, and this I would put in that category.

MR. GJELTEN: Do you see it as a human rights issue, or do you see it as something, in a sense, I hate to say more serious – I won't say that – but more, you know, extensive than just – because it's been portrayed largely as a human rights issue.

MR. FALLOWS: I think there's one line of analysis about Google's decision that I think is completely preposterous and phony, which is, oh, they're looking for a face-saving way to get out of the Chinese market. That, I think, is an insane way to put it. They still have like a third or so of the Chinese market, and as an area for potential growth in the future, they would be insane not to – so if it were purely a business decision, they would be staying there of course.

There are human rights implications in two different ways. If the question is, is Google making things worse for the Chinese public by agreeing to follow Chinese law in filtering search results on google.cn, which is the site that's operating within China, as opposed to google.com, I would argue they have, on balance, broadened rather than narrowed Chinese peoples' accessibility in information over the past 4 years, by saying, okay, here's some stuff you won't find on Baidu. You know, if you search for certain things that are going to be no results on google.cn, but that's what it takes to operate in China. So I think they have broadened in that way.

As a side note, anybody in China who really wants to get information on any topic can – you can use a proxy server, you can use a VPN, and so the firewall is porous.

So I think in human rights terms, the engagement strategy for Google has been a positive one over the past 4 years. Something in Google's experience there made them think that for other sorts of human rights reasons, they can't any longer stand to do business there, because of the sorts of assaults they were coming under.

MR. GJELTEN: Steve, a very senior, very senior intelligence official told me not long ago that he thinks the next Pearl Harbor for the United States will be a cyber attack. Do you – what do you think will be the next Pearl Harbor?

MR. FLYNN: Well, it's where these cyber attacks could go – that's where these two issues link up, between physical infrastructure and cyber. I mean, broadly, when we think about infrastructure and argue, what we really should be talking about is services and networks. A bridge is of no value if it doesn't provide the service of mobility.

So one of our problems when we get into protecting infrastructure is that protecting the bridge would deny access to what it does – provides mobility – obviously that would be pretty silly. And so what we're really looking at is our adversaries, if they want to cause pain, targeting our civil economics space in such a way they can disrupt key services, seems to be a smart thing to do.

This is the core disconnect, I would argue, between the rhetoric that everything changed after 9/11 from a national security standpoint. In reality, what 9/11 most highlighted was that future battle space is in the civil economic space, not in the conventional military space. And what we did in the aftermath of 9/11 –

MR. GJELTEN: Civil economic space – elaborate on that.

MR. FLYNN: Targeting civilians, going after critical infrastructure, asymmetrical attacks that basically go after your adversary and inflict real pain. Why is that happening? Two basic reasons. Arithmetic: The United States has more conventional military capability than the entire world combined. In 2004, we started spending more than the entire world on military defense combined. Our navy is bigger than the next 18 navies combined. And we either got one or two options for adversaries: A, take this stuff on; B, find a different way to confront US power so unless – or C, war is obsolete.

So it turns out, though, that the source of our power and military might has been obviously our economy and the strength of our society that can afford to have that means to project around the world. So if I can target that means – the soft underbelly – that makes sense.

What we did after 9/11 though was to take our existing national security apparatus and put it on steroids and engage in national security kinds of activities it was set up to do in the 20th century. We didn't act introspectively and say, let me see, they were here, they didn't import a weapon of mass destruction, they converted a domestic airliner and turned it into one as a cruise missile, and really the consequences were things we did to ourselves because we were spooked, so if that is basically the problem, what are we going to do going forward from a national

security perspective to address those vulnerabilities? We basically said, we're going to take the battle to the enemy, and everybody shop and travel.

So the cyber infrastructure is our most visual – it's very helpful to think most about because we all accept that it's a network, it's a global network, there are not easy places to defend like we can pretend with borders, and so it's something that I think is very useful almost as a teachable thing to say there's an inherent vulnerability provides a critical service – the movement of information.

Some of that, though, is increasingly linked to things like moving water – making hydroelectric dams work, power grid. And the smart traffic systems coming in and out of tolls and so forth, so if I go after that, I can disrupt the physical infrastructure as well as get people worried about the service.

And the key theme that I think overall that we got to be addressing at a macro level and again, I beat up on our national security community for not doing this – these networks which were a source of our greatest power fundamentally have evolved to a point where the risk-management tools associated with their, essentially, vulnerabilities and threats to them, have not kept pace. And the basic problem of that is not that you have a periodic incidence, but when something happens, people lose faith in these networks, and they opt out of them.

That's really what we saw, I would argue, in the financial markets a little over a year ago. We basically said, geez, the risk-management tools aren't keeping pace with the way in which financial activity is going. I'll put my dollars under a mattress, thank you very much, until somebody restores my trust.

And so the threat isn't necessarily the Pearl Harbor of a specific incidence that melts down or we can point to – the real threat is if we suddenly basically start looking at these networks that have been such a source of our prosperity as really a source of our vulnerability and as a threat and we start opting out of them, we end up sabotaging a key component of what – not just the United States, but globally we need to generate wealth in order to basically support the level of life we have on the planet. Tricky, messy stuff that don't look like naval combatant ships and F-16 and on it goes – this is the national security arena merged with the civil economic space.

MR. GJELTEN: Do you buy that analysis?

MR. FALLOWS: Yes. I would add only this distinction which was interesting to me; it may be obvious to many people here who've spent a longer time in the cyber security world. When I was doing the reporting for my latest article, when we think of vulnerability of the cyber infrastructure to attack, we're thinking of deliberate disruptions or degradations à la 9/11. I at least heard from most people I spoke with that the main terrorist organizations we're most concerned about aren't that active in that field and may not have the sophistication or whatever and so that one category is sort of state or non-state terrorists who want to mess things up here. They seem not to be actually that equipped in that realm.

Another is potential state enemies no longer are out in the open – conceivably, the U.S. and China could have some sort of state enemy relationship, although that is neither likely nor desirable, obviously, and people argue to me that, yes, it's possible there could be Chinese military targeting of U.S. electronic infrastructure, but that's just like there are Chinese missiles, you know, aimed at Taiwan or the U.S. and there are U.S. missiles aimed at China – they would only be used in either case if everything else had already gone to hell.

And so the main thing that actually, that I understood, that is a cyber concern, is crime, commercial espionage, fraud – you know, things that we think of as not so much terrorism but crime and spying.

MR. FLYNN: That cascading can also start to erode again trust and ultimately means that they start behaving more dysfunctionally. But I have maybe just one other illustration of the equivalent: a good friend from college John Holmes; John is chief operating officer of the Port of Los Angeles. A rather important port – it brings in 50 percent of all the crude oil west of the Rocky Mountains, which, combined with Long Beach, its sister neighbor that shares the complex, just about 40 percent of all the containerized cargo that comes into the United States comes into that single geographic place.

Because we're basically not investing in infrastructure like refineries, we essentially have a "just in time" refinery system. There are about seven days of refined fuel in the entire Southern California economy, for about 28 million people, with people having on average less than a half a tank of gas in their car tanks right now. So that total inventory is what's in gas tanks and fueling stations and tank cars going to the fueling stations and on-site at the refineries. It's about a week.

Now, if I did something to disrupt the port – potentially sink a vessel in front of a very big spigot that supports the stuff going there, we'd have a very big problem because there's only one pipe that connects Southern California to the national pipeline grid, and it's to send fuel to Phoenix. So you would think this would be a real strategic vulnerability that our national security apparatus was focused on.

The United States Navy doesn't even recognize L.A.-Long Beach as a strategic port by how it defines "strategic port" because there's no gray ships that leave it. We're spending more protecting the port of San Diego – that has gray ships – than all the West Coast ports combined: L.A.-Long Beach, San Francisco-Oakland and Seattle-Tacoma.

The Navy's job is things like salvage – there's no civilian requirement to do that. The nearest Navy salvage ship is in Pearl Harbor on the West Coast. That's a problem if you have a weak supply in school and it's not big enough to actually come in and clean up. Things like mines that could be used; that's a naval job. They don't do mine sweeps of commercial ports.

So these are – you know, you're sort of struck with – now, imagine the scenario that this president could be confronted with if this plays itself out: again, really bad for Southern California, national implications, but I think the biggest danger would be the American people in

the morning after this going, what the hell have you been doing for the last eight years? I mean, how could this be? How could you have –

And because the national security apparatus has largely said, it's the job of the property tax owners of Los Angeles County to take care of that problem; our job is protect power overseas and solve problems. It's a federalism issue we have to have a conversation about; it isn't that it's inherently federal there. I jumped on this – Tom, I'll put you on the spot here, but did I get any of that wrong?

MR. GJELTEN: We're going to open it up to questions here in just a minute. Can you also make a national security argument for why bridges need to be built?

MR. FLYNN: Yeah, briefly, here: Again, it's the key services that they provide, right, as a fundamental part of our economy. There are certainly some worrisome features which I won't go into about how one could potentially target bridges. They're not easy to take down as we found out in our own efforts in the Korean War and in the Second World War and so forth. But there is some knowledge out there that can cause us concerns.

I think the fundamental, though, argument is the one like Eisenhower made. What's fascinating about Eisenhower using the national defense rationale for building our interstate highway system, he was dealing with a core problem, which is the federal government did not get into the road business. It was done by states and locals.

The biggest source of corruption in every state and local government back then was its road crews. There was always the concern about, hey, Rosie's diner might be displaced if you put a highway nearby.

So there was a tremendous resistance, surprisingly, you would think, going back on it to essentially states and localities letting governments get into this. There was even a segregationist concerned in the South: If the federal government started getting road building, who knows where that could go, okay? (Laughter.)

So Eisenhower – basically, so we didn't have an interstate highway system; what we had is a patchwork quilt kind of style of roads, in some cases, that literally didn't connect to each other. Eisenhower got to this issue in 1921 when he was assigned as an Army captain on an expeditionary force to demonstrate the new technology the Army embraced, trucks. They were still fighting for forces right into the eve of the First World War, all right? But trucks to drive across the country.

They left Washington, D.C., and arrived in San Francisco 63 days later. (Laughter.) Literally came to interstate lines, had to ford rivers and so forth. So he came from that experience, also that he needed an economic stimulus with the downgrading of the Korean War. But – and Schroeder (sp) says the Cold War may get hot; we would have to mobilize quickly. We would have to basically be in a position to even evacuate cities. And the interstate highway system is a part of that.

And that allowed the federal government to essentially come in and create a system architecture with resources to lubricate the process, stimulate the economy and make it go. In the same way, again, the more brittle our society is, the more susceptible it is to disruption, the more vulnerable we – attractive our adversaries are to go after these systems. Investing in them gives us – fundamentally it's an economic benefit but also it will give us this national-security benefit as well.

MR. GJELTEN: Just before we open up to the questions, Jim, we haven't talked much about human infrastructure issues, which is something that you deal with in your article as well. One of the examples that you point out is how many American scientists and economists have won Nobel prizes but for work that they started decades ago when research was much better-funded than it is now. And beyond that, to our educational system, our support for entrepreneurial thinking, et cetera: How do you see the state of our human infrastructure right now?

MR. FALLOWS: I argue in this article something that has impressed me while living around the world over many decades now, which is that the human infrastructure of America is, in many ways, better than we think. And I quote one guy in this – again, to oversimplify, a guy named Jim McGregor who has lived in Beijing for a long time saying that Americans worry and wring their hands and all of that, but he says, as long as we have the immigrants and the universities, we'll be fine. (Laughter.) And his additional proposal is to put a LoJack on every foreign graduate student who comes to the U.S. so we can track them down and make sure that they stay.

But, as a side note, I think that foreign graduate students are a plus for the U.S. whether they stay or whether they go back home. They stay, they add to the U.S. sort of productive base. If they go back home, they have been to a – most of them to a very impressive degree have been sort of Americanized in various ways. It makes a big – Chinese financial relationships right now are much better with the U.S. than Chinese political relationships because so much of Chinese financial leadership was educated at Berkeley and MIT and University of Texas and all of the rest, as their political leadership was not.

So I think that the U.S. higher educational system, the universities are a crucial part of national strength, human capital in the sense of being open to immigration. I argue it also is – it is the only enduring benefit the U.S. has over the entire rest of the world. No other society that's as large, is as open and it just is – so it is a plus for us.

I think the point about the investment lag which I'll make is I was at a dinner in D.C. about three months ago with a bunch of Nobel prize-winners in the hard sciences. And they were all talking about how their work, as you say, had been funded in the '50s or '60s or at least the project they worked on. They said, what are we investing in now, 30 years from now is going to be – that people will be getting the Nobel prizes for?

MR. GJELTEN: You don't see universities developing overseas that will be rivaling our great universities in 20 or 30 years?

MR. FALLOWS: Possibly, comma, but not probably in my view. And I'll just address briefly the main perceived contender, which is China. China has huge numbers of graduates, but it is quantity rather than quality in most cases. Jiao Tong University in Shanghai produces a ranking of 200 universities around the world based on research output. As a former editor of U.S. News, I am very well-aware of the flaws in college rankings. (Laughter.) Don't get me started on that.

But the Jiao Tong ranking is on sort of scientific output. Of the 20 top universities, 17 are U.S. Of the top 200, zero are Chinese. And I think there are reasons. There is a fundamental question for China, which this Google episode raises about whether a society with its political and media system can build wonderful factories and roads and lots of other things, is it ever going to be a place where people from around the world want to migrate to do their university research? And that I don't know.

MR. GJELTEN: What about civil engineering?

MR. FLYNN: Well, the capability, again, is here. We're largely doing civil engineering projects abroad.

MR. GJELTEN: That was a great story you told, yeah.

MR. FLYNN: But what I'm concerned – I mean, here is one of the things that I'm concerned about in our post-9/11 world and events like this Christmas bombing reinforce: When Americans feel afraid and vulnerable, we get into the moats-and-castle kind of (mounts ?) at the defense. This is clearly not good for immigration.

And this is anecdotal so we don't know it's a cascading trend, but there are large U.S. companies who are now putting their R&D offshore because they're trying to attract the best and brightest and simply the hassle of getting in and out of the United States, people do not want to deal with it.

It's a disgrace the way that we're treating people who we should be able to validate and with some human judgment be able to support. So as we sort of fan this sense of fear, I have often said about security, smart security is always nuanced and almost always counterintuitive. That's why it works. Tough security is always simple, which is why it's bureaucratically and politically attractive and always, ultimately, ineffective. It's ineffective because it becomes predictable and then it can be easily gamed. But it also violates a cardinal rule that the U.S. Army has learned the hard way in places like Iraq, which is, don't do things in, one, in rote, ritualistic ways that your adversary (can game ?).

But, even more importantly, don't alienate the very people you're trying to protect. If you think of many of the measures that we're doing, we're really alienating almost a lot more than we are protecting, which undermines people's support for the systems that have to be managed.

So one of the challenges, I would argue, about getting an all-hands effort focused on reducing our vulnerabilities, improving our preparedness and adult-like acceptance that things are going to go wrong from time to time and that's okay; we're a courageous and resilient society, is you're going to be basically competent enough to take whatever comes your way. Instead of allowing this feeding frenzy of fear to get us into walls and moats and so forth as a way to protect ourselves.

MR. GJELTEN: Well, we've had a very attentive audience. I don't know if you've noticed: Nobody has gotten up and left yet. (Laughter.) But we don't want to stress anyone's patience too much here. So we have about 25 minutes left. So we can continue to have a good discussion, but let's get some of you folks involved. John, is that your name?

JOHN HOLMES: Yes.

MR. GJELTEN: Did you have any thoughts you wanted to throw out after what Steve said about your point of view as a port administrator.

MR. HOLMES: And I think what I would like to do is make an observation and have Steve and Mr. Fallows just comment on it – and that is –

MR. FLYNN: John, I'm afraid because we don't have a microphone, I would ask you to speak up a little bit because we – we have a crowd behind you here.

MR. HOLMES: I'm sorry. I'd like to make an observation and then have these gentlemen maybe speak to that, particularly since you just wrote this article. You know, there are organizations in the U.S. that do have the money to build infrastructure. And ports have traditionally been one of them. We have been fortunate enough to have the funding.

But what we find out – and it's a great parallel to China because that's our biggest customer at the Port of Los Angeles – is the regulatory atmosphere in the United States, I mean, when I go and visit my colleagues in China and come back a year later, they have built an entire highway system.

In the Port of Los Angeles, for example, we had a 7-year period where we didn't start one project and it wasn't not having the money; we had plenty of money. We just spent 7 years writing an environmental-impact report. And if I brought the environmental-impact report in and set it in front of you, you would not need that coffee table. (Laughter.)

And so I think that – you know, I'm all about balance, but I think that this has really become an issue in rebuilding infrastructure, whether you're talking about a bridge or a dam or a port terminal. And we did an interesting exercise where we did a timeline in the port. And the port started basically around 1900. And we did building major projects.

And we got to a point and we hit a wall. And there was not a major project started, and there was a gap on the timeline this large. And largely, neither the Port of L.A. nor the Port of Long Beach, for 7 years, got started on a major infrastructure project.

MR. GJELTEN: For bureaucratic reasons.

Q: For regulatory reasons. And I'm not speaking anti-environmental; I'm just saying, it's darn hard to get something started and I'd like to know if that's something that came up in your –

MR. FALLOWS: Actually, yes, and let me read a complementary quote by another Los Angeles official, saying, "In their book on effective government, William Eggers and John O'Leary quote a former deputy mayor of Los Angeles, Michael Keeley, on why the city is out of control. Quote, 'think of the city as a big bus,' he told them. 'The bus is divided into different sections with different constituencies – labor, the city council, the mayor, interest groups and contractors. Every seat is equipped with a brake, so lots of people can stop the bus anytime they want. The problem is that nobody can make the bus go.'"

So I think that's actually a vivid illustration. I mean, on the one hand, if you spend time, especially in China, you think please, god, give me some environmental regulations, because you have the opposite extreme of cancer epidemics, birth defect epidemics, lung problems of, just, unimaginable sorts. So the fact that a component of American national wealth is that we live in a better environment than people in China are able to live in now. On the other hand, clearly, some common-sense clarifying and purging tool needs to be applied so that things can actually get done. If we have a bus with everybody having a brake, then we're not going to go forward.

MR. GJELTEN: Do you see that as an issue?

MR. FLYNN: Absolutely. I mean, I think it comes to what I was saying about, we don't think we know how to do this anymore, and part of it is because of self-inflicted wounds. Again, I honestly believe there is a compelling national security rationale to do it. I think the primary benefit is economic, of getting it right, but one value of national security is it sometimes can trump insanity that, you know, we look at.

I mean, some of these environmental impact statements in L.A.'s example were to create a corridor for electric trains to move cargo out of the port, right? All right. So we're doing a 7-year assessment of the environmental impact while we have congested ports with smog-generating trucks. You know, you look at that and you go, this country has gone nuts. And where was somebody who couldn't come in there and go, electric trains are good; smog generating trucks are bad; this would reduce that, so let's get moving?

And yet, the process has so calcified – but most of it is because people have levied it for NIMBY purposes as well. The merging of these issues this way – time and again, it's one that I've tried to advise Secretary Napolitano she could do is ban saying this: "We need to balance security with either commerce or civil liberties." Okay, nonsense. The reason – what we're all about here is to safeguard our security, so that's our overall on that argument. But I can't get security in a chaotic environment.

So the port basically grew quicker on the waterfront than it did for the surface transportation modes to link up to it. So we get a lot of stuff that can come on the deck and we couldn't get it out as quickly as it should. So that created not just smog, because things got backed up, but it also created a chaotic drayage industry – short-haul trucks and so forth – here that basically is unpoliceable. So actually, I can't get security unless I improve the efficiency of that port.

What I need, at the same time, is some visibility of what's going on and accountability. But in almost all instances, I get more security out of the investment in the efficient environment. I will never get it if I put in a security measure that runs against the environment. That ultimately will lead to workarounds and usually opportunities for real mischievous people to cause problems. You could not design a better system to advance organized crime than the one we use to harden our borders along U.S.-Mexico.

MR. GJELTEN: Some other questions? Yes ma'am.

Q: It always occurred to me that if the regulatory atmosphere was the same as it is now at the time of the rebuilding of Europe, that Europe would still be in the process of being rebuilt. A question for you, with respect to scenarios – the use of scenarios and comparative options and all of this. Have you been doing that?

This particular situation seems, to me, to be an ideal one for that, to do two or three scenarios with, maybe, 12 or 15 different parameters and look at the – because people don't understand – few people are generalists, and they can't see the big picture. And if you can put it in that kind of a framework for them, I think they may be far more readily able to see what you're saying.

MR. GJELTEN: You seem to understand her question. It's a little above my head. Maybe you can repeat it.

MR. FLYNN: Yep, I guess what I understand here, what I created, for instance, is a hypothetical situation that you could have a ship sunk in the harbor disrupt the energy. It would be very helpful if you gamed out what the consequences of that would be over a period of time, and then people would go, oh, we don't want that to happen; what can we do to remedy it? Is that right?

Q: Right, put both scenarios down – both options down, or maybe three different options down, all at once.

MR. FLYNN: Yeah, so that people can kind of see what we're trying to wrestle with here. Clearly, there's a lot that can be done. We know how to do this. We haven't applied it as much as we should to these issues. It's particularly helpful because one of the core issues with infrastructure is the complex interdependency among infrastructures. That's why I've always been drawn to the port. It's not just because it's just moving cargo.

You know, the port, again, is bringing in energy, it's locating refineries, there's distribution centers, there's a whole bunch of things that are going on. It's dependent on the power grid for its operation, and the power grid, in turn, is dependent on natural resource coming in to fuel, many times, those power generation units. So all of it's mixed together.

And what we've done, and what's failed badly with the way we've reacted after 9/11, is we've essentially gone sector by sector and said hey, you look on your sector and settle what your vulnerabilities are and what you should do about it. And what happens is, you miss these – often, that sector is blind, sometimes, to what the consequences are elsewhere. So these scenarios help you with that.

But as core, I would argue, we really need to make a shift away from the other knee-jerk response after 9/11: "We'll do some of that work and then we'll classify it." (Laughter.) Now, basically, politicians get no credit for solving problems that we don't think we have. And really, the real problem, though, is the ingenuity to address that problem does not exist within our national security apparatus.

MR. GJELTEN: You know, that's an issue you have to pick up in a future forum – how our obsession with secrecy has really hampered our – really restrained our competitive growth, right?

MR. FLYNN: Absolutely. You know, and that's where you need somebody who runs a port to tell you – I'm working with the Port Authority of New York/New Jersey on a project where, ideally, instead of the federal government showing up with nifty security fixes and they want to use them as a Petri dish, why don't you show up there when you're thinking about the project, sit down with people who operate infrastructure, who actually design it, and say, what is the problem you're trying to solve? I could probably help you out here.

What we've done here is, largely because it's security, is send it off to a "center of excellence," god help us – (laughter) – and they'll spin up a nifty thing that really looks good in a lab, and then you try to drop it in the middle of a New York subway that was built 100 years ago, you know, with a ceiling height of 15 feet, no lighting and so forth here, and, shock, the camera doesn't work very well. If you had gone to those guys first, they probably could have helped you.

So this partnership is really key and the partnership doesn't work when we basically declare all the stuff as being something – "well, we don't want to rive roadmaps to bad guys and we don't want to spook the public."

MR. GJELTEN: Yeah. There's a question here and then over here.

Q: I'd just comment first that you guys have hit the –

MR. FLYNN: An introduction, too, would be helpful here, because I know –

Q: Oh, Jeff Gaynor from American Resilience. We've –

MR. FLYNN: He's part of the resilience gang here. (Laughter.)

MR. GJELTEN: It's your middle name, huh? (Laughter.)

Q: Yeah, that's what it's become. I just wanted to comment that you guys have hit the most fundamental homeland and national security issue. Without infrastructure, we're back to the Stone Age. The Chinese – "Unrestricted Warfare" – wrote a book in 1998; do you think we're seeing it played out now?

MR. FALLOWS: Short answer – no, I don't. I think that my – I was trying to mention earlier, if there were, for other reasons, actual war between the U.S. and China, which I don't think is likely to happen and if it did, it would be over Taiwan, then certainly, certainly they would be using every tool at their disposal, as we would be doing, too.

I think that there is – my judgment is the number one priority of the Chinese government is domestic control and 99 percent of the time, you can explain what they're doing by saying, does this help or retard what they're trying to do domestically. Most of their assaults on Google recently have been hacking into the e-mails of domestic dissidents within China. So that's what they care about and we are a, sort of, far second priority to that. So if there were actual war, then yes, I think the unlimited warfare doctrine would be carried out. I don't think that's what's going on now.

Q: Yes, Eric Kulisch, American Shipper magazine. I had a question about financing the infrastructure. So there have been a couple of national policy commissions and others who've recommended raising the gasoline or the federal fuel tax to help raise money for the Highway Trust Fund and so forth.

And the Washington Post had an interesting editorial recently, where they said raise the gas tax money, but let's use it to fund the war in Afghanistan, because part of the argument there is we're using debt rather than paying for it as we go. So siphon it off to the Afghan war and then, you know, down the road, you could put infrastructure – just wondering what your reaction is to that.

MR. GJELTEN: Well, what gas tax we have now, much of it goes for infrastructure, doesn't it?

MR. FLYNN: Well, it does. That goes there. Interestingly, in the maritime world, there's a tax we collect that goes to the general Treasury. So when it comes to, actually, maritime infrastructure, it's the only place where the federal government is actually parasitic, okay. It takes money out of the market to put it somewhere else and makes it less competitive.

MR. GJELTEN: It's the only place? (Laughter.)

MR. FLYNN: But the general issue – I mean, literally, of course, when the bridge came down in Minneapolis, the governor of Minnesota was on record of saying, and another five cent tax on top of the last tax increase they had in '78 would be onerous and unnecessary. I also

pointed out right afterwards – involved with that one year – the secretary of transportation for the state of Minnesota, at the time – the very day the bridge came down – was in China. And it gave me a one-liner you used on CNN, which was, of course, you had to be there; that's where you go for world-class infrastructure. (Laughter.)

It is the fact that we are not willing to pay, obviously, the keeps us from having world-class infrastructure, not that we don't have the know-how to do it. At its core, again, I think the reason the taxpayers have been unwilling is, they look at the process of the revenue that's generated, where it goes, how it's done, and they've lost faith in that process. And our elected officials are doing nothing to restore that faith.

One of the cases of a national security approach is it does mean you have to exercise some adult-like supervision to prioritize. The way I want to do this is not asking a bunch of people in the Pentagon or CIA to do that, though. You have the National Academy of Sciences; you have organizations like the American Society of Civil Engineers; we have the best universities in the world. We can host a group of players together and say, what is the 100 must-do things. And then you embarrass Congress and the administration every time they build something that's not on that list.

So we have the know-how; we've deferred to basically saying our government has to figure this out and sort it out, and we've done it in a very decentralized way. And that's worked for us pretty well all these years, but I don't think it will work as a sustainable enterprise going forward, just as, again, on surface transportation, the old method didn't work right up until they hit the ceiling in the '50s. You had to leapfrog over it. You had to look at it as a system. You had to put real investment and then you could get a rational thing that could make you competitive. We have to be willing to do that more broadly with our infrastructure.

Q: But what about diverting it to the Afghan war instead of the infrastructure? I don't think you addressed that.

MR. FLYNN: Yeah, I mean, I really make the point, really, then, as sort of either/or. My case is, like with Jim, is that what we demonstrate with the national security realm is we'll whatever. You know, the Hill is just writing checks like no tomorrow without batting an eyelash. And it's serious money. But to put this into context, though, every single day since March of 2003, we have been burning, on average, $330 million a day on supporting our military in Iraq, and now in Afghanistan. The total amount of investment we've spent on security related to the Port of Los Angeles under various grants and so forth since 9/11 is, John, what, about $100 million?

MR. : More – 200 (billion dollars).

MR. FLYNN: Okay, 200. So 200 basically got, you know, I guess 14 hours in Iraq, all right. So the most critical infrastructure, maritime-wise, we're willing to invest 14 hours in Iraq and yet, we're spending enormous resources there. So my disconnect is not necessarily here, it's just, if it's national security and the new warfare is in this realm, why aren't we recalibrating how we think about our spending related to national security?

MR. GJELTEN: Let's take one on this side and then we'll come back here. Yes, sir.

Q: Steve, you started out and said that we ought to begin a national conversation on critical infrastructure and what we need to do about this. And I'm curious – this has been a great start – but I'd like to hear your opinion and Jim's opinion about how we actually could progress that, in light of the national shouting match we've had over national health care.

MR. FLYNN: Yeah. (Chuckles.) Yeah, I guess anybody who wants to take on a grand scheme, right, should be humbled by the health-care process, right. Don't take on anything big; work very incrementally. I think part of the problem, of course, is there is – on the one level, we need national leadership; on the other level, most of the insights and advocacy has to be grassroots.

I very much applaud what Gov. Schwarzenegger, Gov. Rendell and Michael Bloomberg have started 2 years ago, basically saying look, this is crazy; we've got to rebuild the country. And they're building out other elected leaders at the state and local levels to say, "gotta fix this stuff." And you know, I think in some cases, there's more credibility coming from folks who are actually responsible for the stuff that's there.

What has been missing, I think, is the ability for a lot of the professional organizations, trade associations and other players to get out of the kind of food-fight approach to dealing with this. The view is in aviation, any dollar that goes into surface transportation is a dollar robbed from them, maritime and so forth. It looks, to anybody, objectively, like an absolute Tower of Babel, because it is. If you want to basically reach out to many of these organizations and say what we should do, they're all elbowing the other one out of the way, saying, "Theirs is less important than mine; mine is really important."

And so one of our challenges – and again, I think we have tools, like the National Academy. There are other – a thing we might take on here at the center is finding a way in which we can bring in folks who are willing to talk about the big problem instead of advocating for just the one piece. We've got to give credibility to the problem. And the national level is a validation of the urgency of the enterprise; the defining how the enterprise is done has got to draw from our own collective ingenuities in harnessing the energy that's out there, but energy right now that's largely, I would argue, like dodge-cars, hitting each other and not to any effect at the end of the day.

MR. GJELTEN: Did you have a question, sir?

Q: Yeah, well, you've kind of addressed it because I've heard a lot of very good conversation here, but we're not hearing the same things two-and-a-half blocks over that way. What can be done – I mean, I know you sort of talked about it – is there any hope for possibly getting Congress to turn their way around and get out of this food fight approach?

MR. FALLOWS: Let me address that with a jaded-sounding, but I think, realistic proposal about – this is based on covering politics for a long time and once working in politics. I

was Jimmy Carter's speechwriter long ago, so I know how you don't get things done, having seen firsthand. (Laughter.)

And this is not about, sort of – I think on the level of the inside game of politics – of lobbying and all that – there is the plus that infrastructure involves a lot of people getting money, in one sort or another. So there is that plus. I'm talking now about the public game of how you make this apparent to people and something that voters will care about and it will be worth Congressional candidates talking about. I think I have two thoughts about that.

One is, although I am resistant to, sort of, the national security state arguments we've had in the last 8 years and the "be afraid" and "war on terror" and all that, I think it is realistically necessary to make the national security argument about any infrastructure investment, just because that is, for better or worse, the way you can do things of nation-building in the U.S., you know, since long before the interstate highway system. So I think, number one, you have to couch this both genuinely and even sometimes in a cynical way as being a national security issue.

The other is I think that gimmicks are important in politics. This American Society of Civil Engineers – their report card has made a difference and rankings make a difference. And your scorecard of, these are things that should be built; these are things that shouldn't, that gives congressional candidates something to talk about. And so I think talk about national security and have reader aids, viewer aids, voter aids that can say yeah, here's a list, here are number grades, here are rankings, one through 10. So I don't approve of those things in an intellectual purity sense, but I think they are politically useful techniques.

MR. FLYNN: We'll give Peter the last question – my chairman. (Laughter.)

MR. GJELTEN: Okay, you bet. That's smart.

MR. FLYNN: Peter, that's one of the benefits you get here, right.

PETER KOVLER: The real zinger –

MR. FLYNN: All right. (Laughter.)

MR. KOVLER: Very quickly, I want to thank all of you on behalf of the board, particularly Mike and John and I. We're just as pleased as could be to do this. But my question – and one observation – you all are worried about excessive regulation. It's so interesting to be here in Washington at the moment where we're having hearings on the financial services industry, where there has, apparently, been no regulation.

And it's been an interesting juxtaposition. And I just have a similar question to what you asked and what concerned Mike's former colleagues. How do you – it's almost as if I'd like Mike to sit down with you guys – how do you translate this into a bill or a set of bills that will work in the House and the Senate?

We can do it. We're pretty close to health care. This is doable. It may take a long time, but it is doable. How do you translate that into legislation, which committees? And who are the godfathers on the Hill – who's the next Teddy Kennedy of infrastructure, who can take this to the level that he country needs them to?

MR. GJELTEN: Do you have any thoughts on that, Mike?

MR. : I'm here to enjoy the experts – (laughter).

MR. KOVLER: Are there people that you know of, or –

MR. FALLOWS: This is a field of my lack of expertise.

MR. FLYNN: The only thing – I think the model that I gravitate toward is something like what's called the BRAC commission, which is the Base Realignment Advisory Committee (sic). We had this politically impossible task, which is, we had to reduce some of our defense footprint around the country and Congress, of course, couldn't figure out how to do that.

So what we did was, we made sure it was a truly bipartisan, 9/11 Commission-style group of folks, you engage real expertise to look at it and to assess it, and then basically, their recommendations, when they went forward, Congress had to give a thumbs up or thumbs down for the recommendations.

I think you could take a similar style approach to say, what are the 100 most urgent projects that we should invest in as a society, and then you assign it to this BRAC-style commission. And then it limits the scope, it allows you to make a compelling case, and it's been sanctioned by these folks. And then it goes to Congress saying, all right, you either bankroll this or you don't. And that begins to move in the direction I think we need to go in a scalable kind of way.

I mean, it's almost sad – and obviously, Jim raises this in his piece here – that we have to work in runs for our basic legislative process because it seems so badly broken. I'm not for that as a principle approach, but I think when you basically have so lost public faith that the race is to create public confidence, you have to be willing to essentially pull in that direction to get the confidence back up. And then I think you can go back to, kind of, a much more traditional approach.

There are ways we've done this before. And that's, again, I think a great contribution Jim makes – the regenerative sort of cycle. I feel equally confident. And the thing that I raise about the resilience – what I like about the resilience notion – you know, we point to the Israelis as being a resilient people; we point to the Brits, particularly during the Second World War, as being a resilient people.

I would argue that this nation has been an extraordinarily resilient nation. Ever since the first landings on the Virginia capes and Massachusetts, where I grew from, as well as the people

who were here in the first place, to the effort of moving across the frontier, people didn't do this because it was easy. They confronted adversity every step of the way.

And I would argue that a key element of our sense of confidence and optimism as a people is because we met adversity, overcame it and then bequeathed to our next generation the sense of that confidence. And so when we take on hard problems and we overcome them, that, I think, is the engine that keeps us going. If we allow, essentially, this sense of defeatism, we're really in trouble.

MR. GJELTEN: Well, Steve, you're going to be in a position, here, as directing this center, to lead that dialogue. I do see a few Republicans up in this pantheon of pictures here.

MR. FLYNN: And we are nonpartisan, I want to say here, and that's very much going to be the mission here, to build that.

MR. GJELTEN: And if there's any issue that really demands a bipartisan, nonpartisan discussion, it's this one. So I hope that you can do that in your tenure here. Again, congratulations and thanks, Jim, and thanks to everyone here. (Applause.)

(END)