On Growth and Jobs, the White House Supports the Prime Minister.
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This week President Obama will welcome Italian Prime Minister Matteo Renzi to the White House for an in-depth discussion on the broad range of areas in which the United States and Italy work together on the global stage. An often-overlooked area is our shared commitment to creating modern, 21st century infrastructure that can raise global economic growth and help our entrepreneurs, workers, and firms innovate and prosper. Across the advanced economies, investment is below the rates that prevailed a decade ago, before the global economic crisis. In the euro area, investment is currently 14 percent below pre-crisis levels, in the United States we face an infrastructure deficit that runs into the trillions of dollars, and the Asian infrastructure investment need is estimated at more than $5 trillion over the next five years.

We believe that the European Union and the United States should take advantage of record low interest rates by investing in a set of major infrastructure upgrades to our energy grids, transportation systems, education systems, digital and technology platforms, research and development, and our security. As Prime Minister Renzi has said, "The European direction must stress the importance of growth and public and private investment, not only austerity."

Lifting demand for workers by increasing investment—both public and private—is also a way to increase employment and raise the wages and productivity of workers, making them even more competitive in the global economy and strengthening our middle classes. Low investment has been holding back the productivity growth upon which wage growth depends. And we need to do more to support the skills, training, and education of our work forces, especially young people, so that they can be productive and adaptive in the rapidly changing global economy.

When faced with the fallout from the financial crisis, the United States made large expenditures on infrastructure and historic investments in clean energy. We passed a five year transportation bill to keep the investments in transportation going. Recently, the President proposed the 21st century infrastructure initiative, which includes spending on clean transportation initiatives and efforts to address barriers to private investments and partnerships in areas such as municipal water, ports, harbors, broadband, and the electrical grid. And we can do more on transportation, energy, education, science and technology to spark new innovation and new industries. As President Obama has said, "we need to pursue reforms to position us for long-term prosperity, and support demand and invest in the future."

In the EU, European Commission President Juncker has introduced the "Juncker Plan" to use the European Investment Bank to stimulate investment in infrastructure. Italy has supported the Juncker Plan, including through additional contributions from its own budget, but the pot for EU-wide investments could be scaled up and broadened in scope to meet more of Europe's infrastructure needs. The Commission could also design other mechanisms that take advantage of the EU's strong credit rating to finance needed investment. By doing so, the European Union would send a powerful signal that "Europe is investing in Europe." There is huge potential to upgrade growth in Europe through organized public investments in clean energy, automation, digitization, education, and nuts and bolts security at airports, train stations and in city centers.

While the public sector can make improvements in infrastructure and security that benefit our societies, it is critical that private investment rebound as well. At the G-20 in Hangzhou, China, countries broadly recognized that we need to find ways to catalyze private investment, which includes using fiscal policy and reforming our regulatory frameworks to encourage rather than stifle capital formation. Countries can also implement investment tax credits, accelerated rates of depreciation in tax deductions, or tax credits for investing in worker training (human capital), in addition to infrastructure programs. As we do that, it will boost aggregate demand around the world, and if we do it right, it will make growth more inclusive and strengthen the middle class both now and in the future.

Beyond infrastructure, other types of public investments—fulfilling NATO contribution goals, anti-terrorism spending, and spending to support economic inclusion of refugees—are all important for lifting demand for labor across the EU. Youth unemployment poses a special challenge in many countries—including in Italy—making these investments in the future and lifting growth particularly important. As G-20 leaders have stated, it is essential that countries "use all tools" to strengthen growth. Near term support for growth and investment is not a replacement for structural reforms or long term fiscal sustainability, but rather is an essential complement to both.

On both sides of the Atlantic we need to do more to restore fairness and make the economy work for everyone, and we can do this by investing in future growth and economic equality. The disruptive changes brought about by the global economy, unfortunately, sometimes are hitting certain groups, especially working-class communities, more heavily. As President Obama said during a trip to Europe last spring, "if neither the burdens, nor the benefits of our global economy are being fairy distributed, some citizens will feel left behind." Investments that allow all workers, innovators and businesses to tap into 21st century infrastructure will be essential to the economic success of both the United States and Europe in the years ahead.