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# With Blackstone's New Fund, Don't Confuse Infrastructure Investment with Infrastructure Development

The news that Blackstone is launching a mega fund to invest in US infrastructure, including a major commitment by the Saudi sovereign wealth fund, has been covered by the national press as breaking national news more than as a business story. But don't be fooled. Infrastructure investment is not the same as infrastructure development.

*WASHINGTON, DC - APRIL 11: Stephen A. Schwarzman, Chairman, CEO and Co-Founder of Blackstone speaks as US President Donald Trump looks on during a strategic and policy discussion with CEOs in the State Department Library in the Eisenhower Executive Office Building (EEOB) on April 11, 2017 in Washington, DC. (Photo by Olivier Douliery-Pool/ Getty Images)*

That Blackstone, or any investor, is seeking exposure to an asset class called "US infrastructure" in no way means that there will be even one dollar more of infrastructure built in the United States. Not that infrastructure investments can't be made into new infrastructure. They can and are. It's that new infrastructure in the United States is not constrained by a lack of investment capital. It's constrained by a lack of political will.

The highly liquid municipal bond market is always available to finance any new civil capital project that carries a US state or local government backing or an adequate pledge of revenue. Any investment of equity also requires a similar revenue stream for repayment and return on investment.

While a leveraged equity investment may bring certain efficiencies to the delivery of new infrastructure, a new or bigger source of capital in no way means more project starts. Civil infrastructure happens when government, at some level, determines to levy a tax or user charge to finance a project. This has been happening less often than it frankly should but no move on Wall Street will change that.

What will Blackstone invest in? Watch to see how the administration's planned tax credit for infrastructure investment actually works, but, almost certainly, it will mostly buy existing things in private ownership. Gas pipelines, storage terminals, cargo facilities, power generation and utilities are the likely targets.

If it invests in new assets, expect to see LNG terminals, port upgrades and other commercial assets for which solid long-term revenues are assured.

Global investors like US infrastructure because it is a real asset investment in the home of the reserve currency. The US has the rule of law and allows foreign ownership of real estate. These assets are natural homes for global capital seeking safety in long-term returns. This is a good thing for the US. It will drive down the cost of capital for those assets that are suitable for this investment.

But it will not lead to more civil infrastructure. That only happens one way: by Americans voting for officials at every level of government who will vote to undertake projects.