

Fixing our aging transportation network would be a wise investment

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Last month's protracted fight in Congress over the debt ceiling taught us at least one valuable lesson: Cuts alone are not the answer to our economic woes. Because the back-and-forth ended with deep spending reductions but no real plan for growth, the markets became even shakier and Standard & Poor's slapped us with our nation's first-ever credit downgrade.

The benefit of this tumultuous experience is that it highlights the need to plan for our nation's future. Clearly, this is the moment to put together a concrete plan to get our economy and people moving again. That plan must reduce wasteful spending, but also include smart investments.

One of the wisest investments the federal government can make is fixing our aging transportation network. In addition to vastly improving our quality of life, transportation investments provide badly needed infrastructure upgrades that will power the economy and put Americans back to work. Just as importantly, transportation investments add one very important dimension to the discussion over our country's long-term prospects: planning.

It's difficult to overstate the importance of good infrastructure. Just as our electrical grid provides an essential service we rely on every day, so too do we count on our highways, freight and passenger rail, ports and airports to provide the connectivity that is essential for the flow of people and goods.

Unfortunately, the nation's roads, bridges, rails and mass transit systems are woefully underfunded. Here in New York, for instance, more than 2,000 bridges have been deemed structurally deficient, including the troubled Tappan Zee. The Urban Land Institute estimates that America has a \$2 trillion backlog of repairs just to keep these outdated systems operating; to bring them up to the standards of other industrial nations would require another \$7 trillion.

In addition to being important for the long term, transportation investments also give the economy an immediate shot in the arm. They create jobs for construction workers, material manufacturers and engineers — good-paying, American jobs. Furthermore, infrastructure improvements promote local and regional economic growth by reducing costs for goods and by connecting new markets. Improved safety, greater convenience and a healthier environment will all flow from smart planning and investing.

Take Metro-North Railroad for instance. Metro-North is the second-busiest commuter rail line in the nation, providing 81.7 million rides last year alone — rides that would otherwise have been taken in more-polluting, less-safe and far less-efficient cars.

Metro-North provides a reliable and cost-effective method of transit for commuters and employs thousands of New Yorkers. Yet Metro-North would be devastated by cuts that Congress is now contemplating.

A recent proposal from leaders in the U.S. House of Representatives would slash federal transit investments in New York by \$7.2 billion over the next six years. Our state would see a loss of up to 45,000 jobs in the first year alone. Nationally, these transportation cuts will eliminate more than 600,000 jobs, pushing up our unemployment rate nearly half a percent.

A second plan being discussed, put forward by the chairperson of the U.S. Senate's Transportation Committee, is better than the House proposal. But it still falls far short of today's obligations, let alone tomorrow's needs.

The current House and Senate plans aren't the only roads we can take. Congress should instead take a new direction and put together a comprehensive transportation plan that provides adequate spending, sets badly needed standards for how transportation dollars are doled out, and uses planning to better address population shifts and an evolving economy.

If we follow these principles in the next transportation spending plan, the federal government can make smarter investments that provide more affordable and attractive transit options, reduce energy costs, and prepare us regionally and nationally for transportation challenges decades ahead of time. They will also help American businesses compete globally and restore our nation's reputation as a "can do" innovation leader.

Time is nearly up to get Congress on the right track again. When both houses return to Washington after Labor Day, they will have about four weeks to determine the future of our country's transportation networks before the current spending and funding plans expire.

When they convene, the Hudson Valley delegation must work across party lines and negotiate a plan that invests in vital infrastructure that creates jobs and prioritizes projects that meet core standards guaranteed to improve the environment, safety and health of millions of Americans and New Yorkers. So let's get moving. It's time for Congress to shift gears and put a smarter transportation plan for America and New York in the fast lane.

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Transportation spending is a mess. Does it have to be?

By Brad Plumer

The big takeaway from President Obama's speech on transportation this morning is that he's urging Congress to pass a "clean extension" of the surface transportation bill that's set to expire Sept. 30. If Congress dithers for even 10 days — and, to be fair, both parties have said they'd consider a short-term extension while haggling over a longer reauthorization bill — then the country would lose \$1 billion in spending on highways, bridges and transit. Tick, tick, tick.

What got less attention, though, was Obama's call to revamp *how* highway spending actually gets doled out. "We need to stop funding projects based on whose districts they're in," Obama said, "and start funding them based on how much good they're going to be doing for the American people. No more bridges to nowhere, no more projects that are simply funded because of somebody pulling strings." Seems reasonable. But how might this actually work in practice?

Back in 2009, when Congress was cramming all sorts of highway infrastructure projects into the stimulus bill, transportation expert Robert Puentes wrote a piece for The New Republic on the need to overhaul highway funding formulas. The natural first step, of course, would be to phase out earmarks, which keep bogging down highway bills. The 1981 transportation bill contained just 10 earmarks; the 2005 version contained a proud 6,371 projects directed by individual members of Congress. The earmark parade can make it hard to set national priorities. (One reason Amtrak loses so much money is that Congress keeps forcing it to do things like haul fruits and vegetables over long distances. Well, that and run a variety of geographically dispersed, low-speed intercity routes that don't always make economic sense.)

But earmarks are an easy scapegoat. More important is how money gets distributed among the states. Right now, each state receives federal funds roughly equal to the amount of money it collects from the gas tax. A lot of this is done through the Equity Bonus program, which ensures that states get back at least 92 percent of what they pay — but which also, as transportation advocates argue, creates incentives for states to encourage fuel consumption. After all, more fuel guzzling equals more taxes equals more federal money. A better strategy, Puentes suggests, would be to tie spending allocations to factors like economic benefits or energy use.

Another point that the folks at Brookings have long pointed out is that it's odd that transportation money gets lavished as widely as possible across the country. Right now, the 100 largest U.S. metropolitan areas contain about 65 percent of the population,

produce 75 percent of the nation's GDP, and account for 78 percent of interstate miles traveled, 93 percent of rail passengers and 92 percent of air and transit miles. If, as Obama said this morning, we want "to make sure that we're getting better results for the money that we spend," it might make more sense to focus more closely on these metro areas.

Other ideas for improving spending include coordinating highway, transit and railroad administrations so that they actually link up in a rational fashion — right now, the United States is the only industrialized country that doesn't do this. A 2005 GAO report, for instance, found that paying closer attention to linking up airports to other forms of transportation could go a long ways in reducing congestion. And, of course, the government could pay much, much closer attention to cost-benefit analyses, especially since states rarely conduct regular evaluations of their projects. Note that the federal information system only tracks costs, not performance.

Fortunately, there's no shortage of think tanks dreaming up ways to improve the way funding gets doled out. In June, the Bipartisan Policy Center released a proposal to consolidate the 108 federal transportation programs into 10 and to focus more clearly on five goals: economic growth, connectivity, metro access, energy security and safety. The logic here is fairly straightforward: If Congress is going to have fewer transportation dollars to play with in the years ahead — and unless politicians want to hike the gas tax, that looks inevitable — then it's a good idea to make sure those dollars aren't wasted. And there's a lot of room for improvement there.

The Dangers of Touting the Job-Creation Benefits of Transpo Investment

by Tanya Snyder on July 1, 2011

Earlier this week, President Obama spoke to reporters at the White House. Fully aware of the growing concern in the country over the “jobless recovery,” Obama led off by talking about jobs – and pushing Congress to pass a transportation reauthorization. But was he using the wrong talking point?

“Right now, Congress could send me a bill that puts construction workers back on the job rebuilding roads and bridges -- not by having government fund and pick every project, but by providing loans to private companies and states and local governments on the basis of merit and not politics,” the president said. “That’s pending in Congress right now.”

The inclusion of the line about merit went over well in transportation reform circles, where people have been pushing for a greater emphasis on performance metrics and less spending by strict formulas regardless of outcome.

Later, in response to a question about whether the debt debate was hamstringing his ability to take action on creating jobs, Obama talked again about transportation.

“I think it’s important for us to look at rebuilding our transportation infrastructure in this country,” he said. “That could put people back to work right now — construction workers back to work right now.”

Obama’s not the only one to try to sell the transportation bill as a jobs package. Sen. Barbara Boxer likes to have her aides hold up 20 poster-sized pictures of the Dallas Cowboys stadium, filled with people, to illustrate the number of construction workers out of work right now. She uses this to show the urgency of passing transportation investment legislation.

But according to Joshua Schank, CEO of the Eno Transportation Foundation, it’s a mistake to focus on construction jobs.

“The Interstate system created a lot of jobs, but no one talks now about how many jobs it created from constructing it,” Schank said. “People talk about the impact it had on the economy. And I think that’s the mistake the president and other elected officials often make. They say, ‘This will create jobs; it’ll put people to work.’ But that’s like taking the smallest portion of the economic benefits from transportation and focusing on that. The real benefits are for long-term economic growth.”

After all, he said, “We could put people to work digging a hole and filling it,” but that’s not going to be an engine for economic growth the way a modern transportation infrastructure network would.

Sure, everyone cares about jobs right now, and it might be expecting too much to ask people to get as pumped about long-term economic growth from fast trains or well-maintained bridges as they do about bread on the table. But, Schank said, from the point of view of someone who cares about the industry, it gets “bothersome” to see so many people make the wrong point. Besides, we want to do better than just spend federal money to “dig holes and fill them” to give people jobs. Schank was one of the authors of [a recent report on performance metrics](#), and how smart, outcome-based spending decisions could transform how this country spends money on infrastructure. If all we care about is creating jobs, he says, who’s to say we won’t keep spending precious resources inefficiently on wasteful projects?

Harkin: Upgrading U.S. infrastructure more important than cutting deficit

Raising revenue is the best way to create jobs, he says.

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Sen. Tom Harkin criticized President Barack Obama on Thursday for buying into the notion that the deficit is an immediate problem.

Harkin, a Democrat, said that the president instead should push to raise revenue to invest in schools, highways, bridges and water and sewer systems — which the Iowa senator believes is the best way to create jobs.

“We can put people to work, we rebuild the physical infrastructure for the next century, and then when that wheel starts going, the private sector that’s sitting on about \$2 trillion right now will start investing again because people will be able to buy what they make,” Harkin told The Des Moines Register’s editorial board.

“That takes precedent over deficit reduction.”

Harkin said there’s “plenty of money to be gotten through revenue increases and through closing tax loopholes.”

Obama needs to stand up to those calling for deficit reduction, he said.

“I don’t think he’s exercising the leadership that’s necessary right now to move us in the direction that I think we ought to be moving in. He needs to be more forthright about it and needs to have a clearer, simple picture for the American people about OK, if we’re going to raise revenue, here’s where we’re going to raise it from, and here’s what we’re going to spend it on.”

Where would Harkin spend the money? Early childhood education, trade school learning, college tuition grants and infrastructure. One infrastructure idea: Older buildings should be retrofitted to be energy-efficient — using products made in the United States, he said.

Now isn’t the time to dwell on fixing the deficit — wait until the economy’s strong again, Harkin said.

“We’ve had balanced budgets before in ’98, ’99, 2000 and 2001,” he said. “We had not only balances, we had surpluses. ... How short memories we have. We know how to do this. This is no real big secret.”

Obama is letting Republican voices that are "strong and wrong" drown out his own message, Harkin said.

"Everybody's buying into 'We've got to reduce the deficit. We've got to cut, cut, cut, cut. We've got to keep cutting everything.' It's like taking a chainsaw to yourself. That's not going to get you out of this mess we're in."

Harkin said Congress's so-called supercommittee on debt-cutting "will go nowhere."

The supercommittee will "get rid of more public employees, and that's just going to increase unemployment," he said. "I see nothing there that's going to increase any private sector employment."

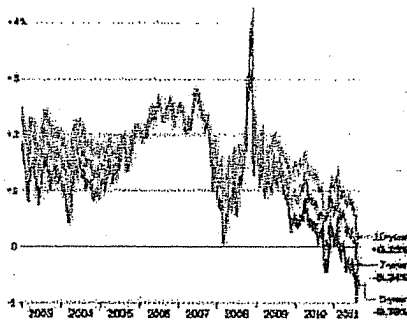
Posted at 08:35 AM ET, 08/30/2011

An opportunity we can't afford to miss

By [Ezra Klein](#)

Daily real yield on Treasurys

In percent. From Jan. 1, 2003, through Aug. 29



(Tobey - The Washington Post) This is going to be the most boring sentence I have ever included in a column, but it might also be the most important: The real yield on Treasury debt has, in recent months, turned negative. Sound impenetrably dull? Sure. But here's what it means: free money!

Let's start by defining some terms: The "yield" on Treasury debt is how much the government pays to borrow money. The "real yield" is how much it pays to borrow money after accounting for inflation. When the "real yield" turns negative, it means the government isn't paying to borrow money anymore. Rather, the situation has flipped, and the government is getting paid to keep money safe.

It also means that America is facing perhaps the single greatest investment opportunity in decades. But more on that in a moment. First, I have to convince you that free money — or, in this case, better-than-free money, as real yields are negative, not just zero — is possible.

If you're an individual investor, you can put your money in the bank and be assured of its safety. Bank deposits, after all, are insured up to \$250,000. But if you're an institutional investor — if you're playing with millions, or billions — it's not quite that easy. You have to put that money somewhere. And right now, there aren't a lot of safe spaces. Europe is a mess. China is slowing down. Brazil and India remain uncertain. Corporate profits can't outpace a sluggish economy forever.

These investments don't just carry the potential for weak returns. They carry the potential for big losses. So does stuffing money under the proverbial mattress, where you'd lose money every year simply because of inflation.

That's where Treasury debt comes in. You won't make much money investing in U.S. Treasuries. But barring a catastrophic outcome to some future negotiation over the debt ceiling, you won't lose much, either. And right now, that's good enough for the market.

Usually, the U.S. government has to pay quite a bit to borrow money. In January 2003, for instance, the interest rate on a seven-year Treasury was about 3.6 percent, which gave investors a yield of more than two percent after accounting for inflation. Right now, the interest rate is 1.52 percent, or minus-0.34 percent after accounting for inflation.

Here's what this means: If we can think of any investments we can make over the next seven years that have a return of zero percent — yes, you read that right — or more, it would be foolish not to borrow this money and make them.

The case is even stronger with investments we know we will need to make over the next decade. The economy will get better, and as it gets better, the cost of borrowing will rise. The longer we wait, in other words, the more expensive those investments will become.

The only reason we wouldn't take advantage of these rates is that we have no worthwhile investments to make. But that's clearly not true.

Our infrastructure is crumbling, and we know we'll have to rebuild it in the coming years. Why do it later, when it will cost us more and we very likely won't have massive unemployment in the construction sector, as opposed to now, when the market will pay us to invest in our infrastructure and we have an unemployment crisis to address?

More than 16 percent of Americans are unemployed or underemployed: This would be a good time for an employer tax cut to goose hiring, or a larger payroll tax cut to help families make ends meet.

State and local budgets are wrecked, and one casualty has been higher education. California, for instance, is hacking away at the University of California system, which is far and away the finest public higher-education system in the world. If we permanently damage our public colleges and universities, we'll have lost a major source of economic strength. But it needn't be that way. Kindly investors the world over are willing to pay the federal government to save our education system.

Everyone knows we have worthwhile investments to make. The real reason we won't take advantage of this remarkable opportunity is ideology: Republicans argue that deficits are the only thing that matters for our recovery — unless anyone attempts to close them through tax increases, and then tax rates are the only thing that matters for our recovery. And Democrats have stopped even attempting to challenge them.

As an economic theory, that's just dead wrong. Deficits matter, but in the long and medium term. What matters now is getting the unemployment rate down.

Need proof? Well, what's worrisome about deficits? That high federal deficits will crowd out private borrowing. And how do we know if that's happening? High interest rates. And where are interest rates now? They're negative.

They won't be negative forever, of course. The path forward is obvious: We should borrow now and put in place a firm plan to cut deficits later, once the economy is back on track and investors have other places to put their money. But refusing better-than-free money now in order to talk about reducing our deficit later? Well, that may be the craziest sentence I've ever had to include in a column.