

## Spurring Jobs through Infrastructure?

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» **President Obama plans to launch a major jobs initiative next week, and it will likely include an effort to expand spending on infrastructure. But is that the right policy approach?**

The Obama Administration's planned announcement of a jobs stimulus will not be welcomed by the anti-investment Republicans in Congress, but in a country desperate for jobs and with disintegrating infrastructure, it seems wholeheartedly necessary. Throughout his Presidency, Mr. Obama has argued strongly for using federal funds for upgrading the nation's highways and transit networks, so he seems likely to further his push for federal expenditures on capital programs such as these.

What the proposals likely will not match are the hundreds of billions of dollars for all sorts of mobility-enhancing programs over the next few years the Administration promoted with great fanfare this spring, only have them fall apart as it became clear that the White House had no proposal for actually funding the program and the country became obsessed with a completely wrong-headed effort to cut the deficit. More recently, Mr. Obama's big dreams of an Eisenhower-like infrastructure effort seem to have collapsed almost entirely: This week's news that he will back an effort to extend the existing transportation funding program rather than immediately expand it because of a lack of agreement in Congress about where to go from here suggests that he understands the limitations of his bully pulpit.

Is that such a bad thing, especially if states and cities play a more significant role in funding their own transportation programs? Would Washington be doing the most with its limited funds by continuing to invest in infrastructure, or should it focus on direct service provision?

The stimulus bill passed in early 2009 did increase the number of jobs available; while it was not perfect, the current weakness in the economy is more a result of that original legislation being too small than a reflection of poor government decision-making. A new jobs-centered stimulus would likely improve the unemployment situation and expand the economy as a whole.

While the stimulus made a number of major investments in infrastructure possible — *virtually all* of the nation's recent spending on intercity rail and the advancement of several major transit capital projects — it did so as transit agencies were suffering tremendously from the consequences of declining local tax receipts. While cities could spend hundreds of millions of dollars on new rail lines paid for mostly by Washington, hiring thousands of construction workers, they were forced to cut back on essential pre-existing transit routes mostly funded by municipal taxes and fire thousands of drivers, maintenance workers, and other service-providing personnel. For the jobs situation, this

environment was decidedly mixed. For the transit-using customer, the environment arguably got worse because most of those capital investments will only pay off years from now.

If President Obama is serious about investing in a proposal that not only increases the number of jobs available but produces a valuable benefit for the public, a focus on paying for transit service rather than infrastructure could arguably be the best approach. By ensuring that public transportation agencies are able to provide adequate, day-to-day bus and rail operations, the federal government would be not only guaranteeing fewer job losses in the public sector (local governments have lost about 500,000 jobs since the official end of the recession) but also making it more feasible for the average person to rely on transit, since increasing frequencies makes it far more appealing.

Some might argue that the federal government should not be getting involved with the subsidy of local transit services, since this would set a dangerous precedent in which municipalities are unable to fend for themselves. But imagine a shift in which Washington takes over far more of the costs of operations, and localities assume the obligations for capital expenses. For the average rider, dependent on transit service recession or not, this would be an improvement, since the federal government is able to assume a deficit during economic declines, while local governments are not.

For sure, at the moment big improvements like new rail lines are unlikely to be pursued just about anywhere in the United States without an infusion of new dollars from the feds. With its large receipts from the nationwide gas tax, Washington is able to distribute funds to projects across the country and allow construction to occur far more quickly than would be possible were states and localities to go at it alone. The use of federal funds prevents a fight to the bottom in which a competition over lower and lower taxes intended to attract business from other parts of the country create a less-than-optimal provision of public services. In addition, the concept that the federal government is the primary investor in the funding of roads and transit projects is too engrained for a quick transition to another model.

But for the sake of actually spurring job creation and providing the types of services people need, a transition of federal government spending priorities away from capital projects and towards transit operations could be an important step forward.



## White House to push new highway bill

By Keith Laing - 08/30/11 09:11 PM ET

President Obama on Wednesday will push Congress to pass a new surface transportation bill when it returns from recess next week, the White House announced Tuesday night.

The current version of the federal highway bill, which among other things allows Congress to collect the tax on gasoline sales, expires Sept. 30. With recent fights in the transportation sector — over such matters as Federal Aviation Administration funding — devolving into partisan fights, there has been speculation that the highway bill could be the next impasse that causes a shutdown in Washington.

But in a Rose Garden speech, Obama will argue this issue is too important to the fragile U.S. economy to not resolve quickly after lawmakers return from their traditional August recess.

"The president will discuss the importance of moving forward with this extension to protect nearly a million American jobs and highlight the opportunity we have to work in a bipartisan way to further invest in rebuilding our nation's infrastructure to strengthen our economy and create new jobs across the country," the White House said in a news release.

As it is currently construed, the federal gas tax, which is 18.4 percent, brings in about \$100 million annually.

The House and Senate are currently far apart on the bill that allows the money to be collected and appropriates it to road projects in states: the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

The House has proposed a six-year, \$235 billion bill, while the Senate has suggested a two-year, \$109 billion measure.

Transportation advocates generally support the longer length of the House measure, but like the higher per-year spending of the Senate proposal.

Both proposals are significantly less than the \$556 billion Obama proposed spending on transportation at the beginning of this year.

The White House said Obama will be joined Wednesday by Transportation Secretary Ray LaHood, AFL-CIO President Richard Trumka and Chamber of Commerce COO David Chavern. Trumka is a member of Obama's Council on Jobs and Competitiveness.

The AFL-CIO and the Chamber found rare consensus earlier this year, coming out against the House GOP proposal and arguing instead for a "robust" transportation bill.