



PERSPECTIVES FOR THE NEW ADMINISTRATION

# The Right Way to Spend Billions on Infrastructure

*By Diana Furchtgott-Roth*

Hudson Institute



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*It's difficult to generate short-run economic stimulus through infrastructure spending. In the past infrastructure spending has been guided by politics and influence peddling. If we're going to spend billions on these projects, we must take a different route. Our priorities should be to repair existing infrastructure, leverage public-private partnerships, and aim for long-run employment and efficiency results, such as toll roads that reduce congestion.*

**W**ith President-elect Obama and the Democratic congressional leadership both viewing infrastructure spending as a magic stimulus that will end the recession, such spending will happen. But will Congress write a sensible, well-targeted bill—or will timeliness and efficiency lose out to old-time politics?

Obama declared in his December 6 radio address that he wants “the single largest new investment in our national infrastructure since the creation of the federal highway system in the 1950s.” Moreover, House Transportation and Infrastructure Committee Chairman James Oberstar, Democrat of Minnesota, has outlined plans to spend \$45 billion on transportation projects alone, never mind the schools, computers, and other public facilities listed hopefully by Obama. No

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matter that the economy needs stimulus right now, and infrastructure expenditures take time to plan and execute, with funds spent over many years. Nor that the country's 10.3 million unemployed workers might lack the skills needed to lay down roads and erect bridges.

**I**n the past, federal and state governments allocated infrastructure spending politically rather than by return on investment. Taped conversations of Illinois governor Rod Blagojevich suggest that an engineering company raised \$60,000 for the governor in exchange for his support for an infrastructure bill, and a concrete company was asked for \$500,000 for approval of a \$1.8 billion toll road.

We can do better than allow transportation spending to be guided by politics and influence-peddling.

Here are some guidelines for an effective, sensible infrastructure bill:

- *Repair existing infrastructure first.*

Infrastructure maintenance saves money, gets funds out faster, and should be a top priority. If bridges and roads are allowed to deteriorate, not only do they become dangerous, but their future repair will be far more expensive.

- *Aim for long-run employment and efficiency results.*

We can seek projects that not only create construction jobs in the short run, but that will increase Americans' mobility, enabling them to have a wider choice of jobs in the future by widening economic markets.

- *Evaluate costs and benefits in advance.*

It's disappointing that of the Department of Transportation's \$68 billion in spending in 2008, only its relatively small \$1.7 billion New Starts program for public transit systems uses evaluation criteria to measure prospective effectiveness. New Starts could be a model for evaluating future infrastructure spending. Projects must demonstrate projected economic effects such as mobility improvements; environmental benefits; cost effectiveness; and operating efficiencies.

- *Leverage federal funds through public-private partnerships to multiply their payoff.*

Through partnerships with private companies, federal and state government can get more accomplished. Not only do partnerships result in additional funding, but private companies, through price signals, have a better idea of what consumers need and are willing to pay for.

Price signals are especially useful in highway transportation, where public-

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private partnerships are already working, because of new technology that collects tolls without slowing down drivers, already applied in Europe.

- *Develop new toll systems to reduce congestion*

We can invest in new road pricing GPS-based technology to reduce time wasted waiting in traffic jams on congested roads. Driving at peak hours, or along certain congested roads, would cost more, encouraging motorists to shift to off-peak times for less-urgent trips.

For example, Southern California's SR 91 has express lanes with electronic tolling at variable prices designed to maximize traffic flows. These lanes carry twice as many vehicles as free lanes during hours with the heaviest traffic. And vehicles go three times faster than in free lanes.

It's difficult to generate short-run economic stimulus through infrastructure spending. But if we're going to spend billions on infrastructure, let's make sure we do it right. ■

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