George Bush's 'vision': nearsighted, and going blind

by Andrew Rotstein

In his Inaugural Address 14 months ago, President George Bush injected at least one note of caution in the otherwise upbeat speech: He warned that in the years ahead, the federal government would have "more will than wallet" to deal with the nation's problems.

Judging by his National Transportation Plan (NTP) issued during the second week in March, this President has precious little of either, and scant more than public relations hype, to meet America's careening infrastructure crisis. This non-policy is all the more significant, because it is the first major administration initiative on the *physical* economy, as distinct from crisis-managing the financial mess, as the savings and loan bailout lamely attempted.

Bush announced the plan personally, with Transportation Secretary Samuel Skinner at his side, to a White House audience of political and transportation officials. The NTP is boldly entitled "Moving America," and is replete with assertions concerning the crisis of transportation, and equally sweeping commitments for national action. But "Moving America" is really all sizzle and no steak. It calls for drastic cuts in the portion of federal support for the nation's highways. It would provide some, but by no means enough additional funding to alleviate the worsening nightmare in aviation. It would also eliminate all subsidies for Amtrak, and seek to unload the remnant of our national passenger rail system onto private investors.

Bush to the states: 'After you, Alphonse'

The cutbacks to the highway system epitomize the shell-game at the heart of the NTP. The plan nominally commits the federal government to maintaining the flagship interstate highways, although no appropriations levels are specified. But another 740,000 miles of roads would have their federally funded portion cut from the present 82% to 50%.

How are states to make up the difference? By doing precisely what the Bush administration has solemnly pledged that it, for its own part, will never do: raising taxes—taxes that will be no less burdensome to the average household, and no less an impediment to growth for businesses, for being labeled "user fees."

Skinner offered some fairly tortured reasoning to back up this scalpel-passing. Noting that 33 revenue-hungry states have boosted fuel taxes in the last three years, he asked, "Why should we pre-empt them at this point, when they're willing to do it?" Skinner proclaimed, "We are not shirking our responsibility. We are creating partners."

In addition, the NTP would lift the prohibition on charging tolls on most federally funded roads—an option to which many cash-strapped governments will surely resort. States will also be encouraged to contract out construction and operation of toll roads to private companies.

Bipartisan opposition

A similar policy prevails in other transportation sectors. The tax on air fares would be increased from 8% to 10%, and airport user fees would also be raised. A system of user fees for boaters would be introduced to fund the Coast Guard.

The response of government leaders was almost uniformly negative. Richard Kiley, chairman of New York City's Metropolitan Transit Authority, put it most succinctly: "All flash, no cash." Leaders of the transportation and appropriation subcommittees of both houses of Congress were sharply critical; even their ranking Republicans were only slightly less harsh in judging this facade-of-a-policy. Rep. Bob Wise (D-W.Va.) properly termed it a "disinvestment budget."

Transportation industry groups were also sour. John Baker, president of the 300,000-member Aircraft Owners and Pilots Association, said, "The national transportation policy sounds to us like a national tax policy." The American Public Transportation Association simply called it "long on advice and short on help."

The economic issue

No American who has stewed in rush-hour traffic, suffered through an electrical brown-out, or seen television coverage of a collapsed bridge and its victims, needs convincing that the nation's network of public investment is in trouble. But the enormous cost, and the even greater looming economic danger to the country, are less well understood.

The quality and scale of public capital have a powerful effect on business investment and profitability, on labor productivity and incomes, on competitiveness and exports, and on tax base and fiscal health. David Alan Aschauer, an economist at the Federal Reserve Bank of Chicago, estimates that each 1% increase in the stock of infrastructure raises the return on private nonfinancial capital by one-tenth of one percent. He projects that if government investment in the 1970s and 1980s had merely maintained the level of the 1953-70 period, the private stock of U.S. plant and equipment would have been 4.5% greater than it was by 1986.

Public capital investment slid from 24.3% of total federal outlays in 1960, to 11% in 1990, and will slump to 10.7% next year. The stock of public capital relative to the stock of private capital has plummeted, from over 30% in 1968, to 23% in 1988, and it continues to fall. According to the National Council on Public Works Improvement, a commission established by Congress in 1984, the average annual increase in infrastructure spending dropped from 4.5% from 1961 to 1970, to an anemic 0.8% from 1981 to 1987. Over the last two decades, the United States has put only 0.3% of national output into public works and has had a paltry average growth in productivity of 0.6% per year. Japan, by contrast, has allocated fully 5.1% to infrastructure, and has achieved 3.1% yearly productivity growth over the same period.

The Associated General Contractors, the largest organization of U.S. construction firms, estimates remedial infrastructure needs at $3.3 *trillion*—well over half the annual Gross National Product, and actually more than that infamous object of awe, the national debt.

Reality displaces dogma

Yet who among our bean-counting bureaucrats is facing up to this physical-economic debt, which reflects the cost of restoring and enhancing our economic strength? Apparently not the Bush administration, which has hoarded a $10 billion surplus in the Highway Trust Fund as a bookkeeping gimmick to lower the budget deficit to targets mandated by the Gramm-Rudman legislation.

This long-brewing national crisis has fueled calls for action from many quarters, and created some interesting political alignments. David Aschauer, the Chicago Fed economist, wrote in the *Wall Street Journal* March 14 that the Bush-Skinner program "effectively renounces the federal government's responsibility for building and maintaining an adequate transportation network." Robert Heilbroner, a noted liberal economist, called a massive overhaul of infrastructure the indispensable basis of America's future economic viability, in a recent article in the leftish *New York Review of Books*. Syndicated columnist George Will, who has characterized himself as a "Tory" in the past, showed a more socially useful strain in a commentary March 11, when he contrasted Skinner's timidity to the nation-building philosophy of another Illinois Republican, Abraham Lincoln. Our current predicament, Will urged, "should bring out a strong Hamiltonian streak in American conservatives, who too often talk the anachronistic language of Jeffersonian small-government sentimentality." And the U.S. Chamber of Commerce—no band of spendthrift liberals—recently said: "There is an immediate need to begin to restore those portions of basic infrastructure that have fallen into dangerous disrepair. . . . In a modern society, private economic growth is based on sound public works."

On the other side are the green-eyeshades crowd in the Bush administration, led by Office of Management and Budget director Richard Darman and his deputies, and small-government ideologues of the Heritage Foundation and related circles. The latter invariably support any measure that can be marketed as "lowering costs" or "privatization." Interestingly, they tend to converge with significant factions from the zero-growth, pro-austerity left. One environmentalist outfit especially active in this area is Resources for the Future, which advocates increasing gas taxes by 10¢ per year for 10 years, until the American cost of personal transportation begins to approach that of European nations.

There should be considerable pressure on Congress to resist the Bush bloodletting. The National Conference of State Legislatures has just reported that 27 states are experiencing severe budget squeezes, and that eight northeastern states—precisely some of those with the oldest and most obsolete infrastructure—report a cumulative shortfall of $2.53 billion. These governments are scrambling for revenue as it is, and will not take kindly to Washington's command to raise gas taxes to service vital roads for which the Feds have long taken primary responsibility.

Whatever the immediate political turn of events, the danger is that if the misnamed "Moving America" represents George Bush's myopic "vision," some variant of his Inaugural caveat—perhaps simply "They had more will than wallet"—could well serve as industrial America's epitaph.