Transport associations attempt to head off Clinton retreat

by Anthony K. Wikrent

Even before he is sworn in, President-elect Bill Clinton has already begun to backpedal from the centerpiece of his economic stimulus program: a $20 billion increase in spending on U.S. physical infrastructure. In an interview with the *Wall Street Journal* on Dec. 18, Clinton indicated that he was prepared to devote greater attention instead to the problem of reducing the deficit, as demanded by a wide range of Anglo-American financial spokesmen, such as International Monetary Fund director Michel Camdessus and Henry Kaufman, the former chief economist of Salomon Brothers during the junk bond years of the 1980s.

On Dec. 21, the *Wall Street Journal* reported that Clinton's advisers had deliberately held back information from Clinton about how quickly the U.S. federal budget deficit was growing. Their silence reportedly allowed Clinton to maintain an aura of sincerity as he unfolded his economic plans before the nation. But now, with the election safely behind them, Clinton's advisers can confront the Arkansas governor with the grim realities of deficits approaching $300 billion for each of the next few years, terrorizing the new President to fall in line with the financial ukases dictated by Camdessus, Kaufman, et al.

The prospect that the Clinton regime may not deliver the extra $20 billion a year that was promised during the campaign, has spurred some U.S. trade associations concerned about transportation infrastructure, to raise their voices in protest. In a news release dated Dec. 8, the American Association of State Highway and Transportation Officials (Aashto) declared that "state highway and transportation departments collectively could spend an additional $8.5 billion in federal highway funds for 1993," over and above the amount of funds already appropriated, and that they could spend an extra $22.8 billion if a major infrastructure program going beyond Clinton's proposal were actually implemented.

Wall Street mythology

The Aashto release is noteworthy because it directly contradicts a story purveyed by major U.S. newspapers that states have been barely able to effectively utilize the infrastructure funds they already have, and that in fact billions of dollars of appropriated funds are still sitting around unused. The implication of these stories, is that it is no use trying to stimulate the economy by providing increased funding for infrastructure, since at best, the money wouldn't even be spent, and at worst, it would be wasted on porkbarrel projects and graft.

Another story floated in the national newspapers soon after the November election, was that the recent crop of "good" economic statistics indicates that the U.S. economy is coming out of recession "under its own power." An economic stimulant is not only not needed, according to these stories, but might actually do more harm than good, by injecting unneeded billions of dollars of demand in the middle of an economic upswing, reigniting the fearsome fires of inflation that were supposedly vanquished by Paul Volcker after he pushed U.S. interest rates through the roof in 1979.

Countering this propaganda, in his Dec. 16 news release Aashto president Wayne Muri, chief engineer and administrative officer of the Missouri Highway and Transportation Department, stated, "I want to dispel the rumors being repeated by the media, that states have no capacity to use additional funds."

Why would the media be floating stories aimed at stopping any increase of spending on U.S. infrastructure? If anything was newsworthy, it should have been the fact that Clinton's $20 billion increase per annum in spending on physical infrastructure was a pitiful joke compared to the trillions of dollars backlog in deferred maintainence and canceled construction the U.S. had accumulated during the so-called "Reagan boom years."

Muri explained that in fact, "Since the 1970s, the nation's investment in transportation, and particularly highways, has decreased in constant dollars by about half of the amount prior to that time. The result is a huge backlog of needed but unfunded projects. The most desperate need is for rehabilitating our existing facilities. Rehabilitation contracts can go to contract quickly, and are labor intensive. There is a large capacity of idle construction workers that could be mobilized quickly, The impact of an acclerated transportation spending program to the public both in jobs and improved highways would be very impressive. . . . A total of 34 states have sufficient projects 'on the shelf' to fully utilize . . . additional funds."

Muri's statement was based on the results of a survey of the highway authorities of all 50 states, released on Dec. 8. Aashto executive director Francis B. Francois explained in that news release, "The Federal Highway Administration estimates that $45.7 billion is needed annually from all levels of government simply to maintain the current system of highways and bridges. In order to improve the system, an estimated $74.9 billion is needed. Yet in 1991, our federal, state, and local governments combined only invested $36.2 billion.

"For transit, the situation is similar. The Federal Transit Administration estimates that an annual expenditure of $7.5 billion is needed for capital investments. The ISTEA [Intermodal Surface Transportation Efficiency Act, passed in 1992] would have provided $5.2 billion, but the Congress provided only $3.8 billion."

$20 billion wouldn't make a dent

What Muri and Francois are demonstrating with clear and simple numbers—put out by the government itself—is that just one type of physical infrastructure, namely highways—never mind the other types, such as waterways, ports, railroads, and urban mass transit systems, water and sanitation systems, airports, electric generation and distribution systems—could easily consume the entirety of Clinton's meager $20 billion increase in spending on infrastructure.

The same point was forcefully made by the U.S. Conference of Mayors last spring, with the release of a voluminous report listing 7,252 "ready to go" public works projects in 506 cities that would create 418,415 jobs this year, if only funds were forthcoming. The Conference of Mayors report was in response to a request by members of the U.S. Senate in January for a list of public works projects that could be initiated immediately, but which lack funding.

The Dec. 8 report released by Aashto is similar. In response to a request by committee leaders of Congress—and members of Clinton's transition team—Aashto surveyed the highway authorities of all 50 states, plus the District of Columbia, and found that "if the highway program is fully funded for FY 1994 at the $20.469 billion level set in the ISTEA, all of the responding 50 states could fully obligate the funds." Moreover, "States also have the capacity, collectively, to obligate at least $8.5 billion in federal-aid highway funds during FY 1993, beyond the $18 billion approved by Congress. That is $6 billion over the amount that would be available if the ISTEA authorizations were fully funded. . . . If an expanded federal-aid highway program were continued through fiscal year 1996, the large majority of states (39) estimate that they could have projects to let, with a total value of $22.8 billion above the amounts available under the ISTEA."

Construction industry is sick

Aashto was not alone in its rearguard action against Clinton's retreat. In a Dec. 15 news release, the Associated General Contractors of America (AGC) stated that "Construction is an engine of economic growth. . . . Simply stated, a healthy economy depends on a healthy construction industry. But America's construction industry is *not* healthy—despite some recent indicators suggesting that some segments of the economy may be improving." The AGC noted that the construction industry has lost 781,000 jobs since the beginning of 1990, and suffers from an unemployment rate that is twice the national average. Moreover, that portion of Gross Domestic Product accounted for by new construction has declined for every year since 1985, and is now at the lowest percentage of GDP in more than 30 years.

"The severely depressed state of the construction industry," the AGC stated, "is the result of 1) poor private market conditions; and 2) the failure of government at all levels to provide adequate investment in the nation's public infrastructure. . . .

"Adequate investment in public infrastructure is vital for providing the underpinning that is essential for a productive and competitive U.S. economy. Unfortunately, investment in physical infrastructure, as a percentage of GNP, has declined over the past 20 years in the United States. Today, as a nation, we invest a much smaller percentage of our income in infrastructure than all of our major global competitors."

Directly addressing Clinton's professed concern for solving the long-term problems underlying the economic decline of the country, the AGC stated, "This failure to adequately upgrade, repair, and expand the nation's infrastructure over the past 20 years was a major policy mistake and a prime contributing factor to the nation's current economic woes."

Citing the finding of Aashto and the U.S. Conference of Mayors, the AGC stated, in bold type, "**More than enough idle capacity and manpower currently exists within the construction industry to immediately take on this increased workload without any adverse economic consequences.**"

In fact, according to the American Public Transit Association, 6,000 jobs are created by every $100 million of new construction or rehabilitation of urban mass transit systems. The American Road and Tranportation Builders Association estimates that an extra $6 billion spent on new highway programs would create 246,000 jobs.

But with such Wall Street luminaries in the Clinton constellation as Robert E. Rubin—co-chairman of the last remaining privately held major investment bank Goldman Sachs, where even the junior partners reportedly earned more than $1 million each last year—and Roger Altman, vice-chairman of the secretive investment boutique The Blackstone Group, it's no wonder that Clinton is already making noises that he is more worried about reducing the deficit than about repairing three decades of neglect of U.S. physical infrastructure.