Idiots cheer demise of infrastructure

by Anthony K. Wikrent

While the tragic results of the failure to maintain and modernize U.S. infrastructure are obvious to anyone with eyes to see, the surprising thing is how militantly stupid the so-called experts are who are responsible for the crisis in the first place.

Take the assistant vice president of the Federal Reserve Bank of St. Louis, John A. Tatom. In a policy analysis published by the radical free enterprise Cato Institute, and excerpted by the *Journal of Commerce* on Aug. 20, 1993, Tatom argued that the infrastructure crises of America are "mythical." No matter that millions of acres of some of the world's richest farmland, located in his district, have been turned into a sixth "Great Lake" by the absence of the flood-control projects the Army Corps of Engineers had wanted to build on the upper Mississippi and Missouri rivers in the 1950s—for Tatom, the key question was whether spending on infrastructure has a positive effect on "private sector productivity."

Tatom attacked the findings of Bates College Prof. David Aschauer and Boston Federal Reserve Bank analyst Alicia Munnell, who found a correlation between infrastructure development and growth of productivity. He accused them of "an elementary statistical fallacy called 'spurious regression.' In this case, the result is a slight twist on the familiar fact that if two wholly unrelated measures have similar trends over time, they can appear to have a statistically significant relationship when none, in fact, exists." According to Tatom, the correlation Aschauer and Munnell found between infrastructure and productivity is rendered statistically insignificant by the "Granger causality test." As it has been observed, there are lies, damned lies, and statistics.

Quacks and liars

Then take the *Wall Street Journal* of Jan. 4, 1993, which carried a front-page column by Lindley H. Clark, Jr., prominently citing Syracuse University Prof. Douglas Holtz-Eakin's argument that infrastructure projects must be subjected to cost-benefit analysis, and that government capital spending has "essentially zero" impact on productivity.

When *EIR* reached Holtz-Eakin by telephone and asked what he thought of the historical role played by the Erie Canal, he admitted that his "research" had been limited to the period from the 1960s to the present, i.e., the "post-industrial" era. He said that he had not read much about earlier periods. In fact, he flatly stated, "I don't know very much about the subject of infrastructure development."

The professor referred to infrastructure collectively as "the stuff," meant to include everything from sewers, to electricity generation and distribution, to transport, to laboratories. "We have enough of the stuff," he asserted. He contended that "adding more of the stuff" cannot enhance the productivity of our present-day work force, which is mostly employed in the "service sector."

For his part, Clark admitted that he had not actually talked with Holtz-Eakin, and that he had read a paper of the professor's "not very carefully, perhaps." But the *Journal* columnist maintained that "other economists agree with Dr. Holtz-Eakin," so that his views must be taken into consideration.

More austerity demanded

Unfortunately, it is not just academic quacks like Tatom or Holtz-Eakin who are pushing the bounds of stupidity beyond what is safe for society to tolerate. John M. Derrick, Jr., president of Pepco, the power utility that serves the greater Washington, D.C. area, rejected the idea of building redundancy into the system. "You wouldn't design a church [for the crowd that shows up] for Easter or a synagogue for the High Holidays, and you don't design a system for the absolutely unprecedented level we might hit," he said. That was on Jan. 20—the very day that Pepco issued an ultimatum to the U.S. government forcing the shutdown of Washington, D.C. because there was not enough electrical generating capacity on the U.S. central- and north-eastern seaboard to handle a week-long cold snap.

Pepco spokesman Tom Welle told the Jan. 20 *Washington Times* that new power plants "are expensive. . . . The solution is not to build another power plant. It is far cheaper to curtail the use of electricity."

Then the *Wall Street Journal* on Jan. 24 demanded in its lead editorial, "The Earthquake's Opportunity," that the government save 20% on the cost of rebuilding Los Angeles's shattered infrastructure by jettisoning its practice of paying prevailing wage rates to its construction workers.

The *Journal* went on to demand that mass transit projects be abandoned, and the money diverted to gerry-rigged "shuttle services run by entrepreneurs" (perhaps rickshaws powered by opium-addicted coolies?); all apprenticeship programs in the construction trades be eliminated to enlarge the "tax savings"; and a complete ban on repairing damaged schools. There shouldn't be any new schools built, either, but rather the establishment of "innovative" charter-type schools in rented commercial office space, according to the *Journal*. Finally, to put a point on it, the *Journal*'s editors flat-out demanded that Medicaid be cut.