

# Bloomberg

## Infrastructure Bill Might Be a Bad Use of \$2 Trillion

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Little green shoots of bipartisanship are sufficiently rare these days that it feels mean to stomp on them. But I'm afraid that it's very unlikely that the \$2 trillion infrastructure bill that congressional Democrats and President Donald Trump are discussing will amount to a good use of taxpayer money.

The promises are big and numerous. House Speaker Nancy Pelosi explains:

It's about jobs, jobs, jobs. It's about promoting commerce. It's about clean air, clean water, so therefore a public health issue. It's a quality of life issue, getting people out of their cars not being on the road so much. And in every way, it is a safety issue.

The jobs are to be created "immediately," Pelosi and Senate Democratic leader Charles Schumer clarified in a joint statement.

There is reason to doubt that increased federal spending on infrastructure would increase employment on net. With the unemployment rate already at its lowest level since 1969, such spending could simply redeploy labor that is already active. If the bill did stimulate the economy significantly, it would also make the Federal Reserve more likely to resume its course of raising interest rates, leaving us roughly where we started.

Would new spending at least help us "rebuild our crumbling roads, aging bridges, crowded airports and other infrastructure," as the White House hopes? Maybe. But the condition of our infrastructure is already better than the political rhetoric suggests. The percentage of structurally deficient bridges has, for example, been falling for decades.

While money could certainly buy improvements, which could enhance the economy's productivity, the political obstacles to directing the money in the most useful ways would be formidable. New building is more politically attractive than repairing or maintaining existing infrastructure even when the latter makes more sense. Such incentives will tend to warp spending decisions in many ways.

President Trump illustrated the pitfall in his State of the Union address last year: "We will build gleaming new roads, bridges, highways, railways, and waterways across our land." If he had said, "we will refurbish the power grid," it wouldn't have had quite the same ring, even if that would have been a more intelligent use of money.

The many policy aims that the Democratic leaders have identified also militate against the rational allocation of resources. (Ryan Bourne of the Cato Institute counts nine distinct goals.) The projects that create jobs "immediately" might not be the ones with the best long-term payoff. Making sure that businesses owned by women, minorities and veterans get contracts also means not focusing single-mindedly on value for the dollar.

In theory, then, a burst of infrastructure spending could accomplish some good for the country. There are reasons to doubt it would work out that way in practice. One of those reasons is that neither the president nor the congressional Democrats seem to be thinking through the issues clearly