



Infrastructure Week, Another Rural Broadband Boondoggle, and Maybe a Sports Bailout?

Eric Boehm

April 22, 2020

Congress has not yet finished passing the latest pandemic stimulus bill, but lawmakers and the Trump administration are already looking ahead to the *next* spending opportunity.

And while it is too soon to know for sure what will be included in the next stimulus bill, early indications suggest it could include a lot of questionable spending that has little to do with COVID-19. Lawmakers and administration officials have floated subsidies for government-built internet service, bailouts for state and local governments, and maybe even handouts to sports leagues shuttered by the pandemic.

"Roads, bridges, broadband, especially broadband now to rural America is very important. We've talked about incentives for restaurants, sports, entertainment because these businesses have been impacted," Treasury Secretary Steve Mnuchin said Tuesday. "And we've also, we're talking about in the case of states, we've heard from the governors and the fiscal issues of the states."

As Mnuchin noted, infrastructure spending figures to be the centerpiece of the so-called "phase four" stimulus—following an initial stimulus package passed in mid-March, the record-breaking \$2.2 trillion Coronavirus Aid Relief and Economic Security (CARES) Act, and this week's \$484 billion package aimed at refilling a program providing loans to small businesses.

President Donald Trump has been pushing for a multibillion-dollar infrastructure program since the 2016 campaign, and the coronavirus shutdown provides the perfect opportunity. It would be a massive jobs program at a time when millions of Americans are likely to be looking for work and a bipartisan political win for Trump as he heads into reelection. He's also calling for a "phase four" stimulus to include a payroll tax cut. It's something Trump has wanted for a long time, but it would likely have a limited impact on the coronavirus recovery.

A limited infrastructure bill is the most defensible part of the plan Mnuchin outlined on Tuesday—though it would be more defensible if the country wasn't \$23 trillion in debt and facing the prospect of a \$4 trillion budget gap this year. Even so, it's probably a bad idea says Chris Edwards, director of budget policy for the Cato Institute.

"A federal infrastructure package would probably cater to lobbyist demands, not market demands," says Edwards. "It would likely include billions of dollars for transit, even though the ridership outlook is grim."

And, again, that's the *most* defensible part of this plan.

A bailout for state and local governments is likely in the offing too—already, Sens. Bill Cassidy (R-La.) and Bob Menendez (D-N.J.) have unveiled a proposal to spend \$500 billion helping state and local governments avoid a coronavirus-induced budget crunch, and Speaker of the House Nancy Pelosi (D-Calif.) wants to spend \$4 billion to help states get vote-by-mail infrastructure in place before November's elections.

But elections are run by the states, and that means states should be responsible for figuring out how to conduct and pay for them. While state and local governments are more limited in their ability to borrow in response to a crisis than the federal government is, they are not helpless. At a time when the federal government is putting trillions of dollars on the national credit card to help businesses and workers survive this crisis, state and local governments should be expected to shoulder their own burdens.

Rural broadband should be an even lower priority. The Obama administration set aside \$7.2 billion for the development of rural broadband in the 2009 stimulus bill, but the money was not spent wisely. One study of three parts of the country that received rural broadband grants—far-flung regions of Montana, Kansas, and Minnesota—found that the government spent about \$350,000 per household connected to high-speed internet. The median home price in those areas? Between \$94,000 and \$189,000.

In the years since the Obama stimulus, the market has done a far better job of getting rural Americans online. And with the expansion of high-speed mobile internet service, there is even less of a reason for the federal government to blow billions of dollars on laying fiber optic cables to the boondocks.

The same can be said of the idea to bail out sports teams and leagues, or for "entertainment" businesses in general, as Mnuchin floated on Tuesday. While professional sports are suffering from the coronavirus shutdown—leaving players, staff, and stadium workers out of jobs for an unknown period of time—public efforts should be focused on softening the blow for workers, not helping their employers avoid restructuring. Indeed, bailing out professional sports would be no better than Trump's ill-advised (and thankfully scrapped) plan to bail out the cruise industry. And where do you draw the line? Should movie theaters get federal cash to stay open? Should casinos? Bankruptcy is ugly, but it's better than a government bailout that isn't even guaranteed to keep them out of bankruptcy.

Governing requires setting priorities, and that's never more important than during a crisis. Members of Congress have a political incentive to spend and spend and spend, but there simply isn't enough money to go around—in fact, we passed that point a long time ago.

"I do believe it makes sense for the government to provide support to businesses and families that can't make it through this," Sen. Rand Paul (R-Ky.), who voted against this week's coronavirus bill, said Tuesday on the Senate floor. "I don't want to see this massive accumulation of debt destroy this great country."

Lawmakers would do well to keep one eye on the mounting debt as they consider their next steps. Thankfully, Senate Majority Leader Mitch McConnell (R-Ky.) seems to be considering that trade-off.

"We can't spend enough money to solve the problem," he said Tuesday. "Let's weigh this very carefully because the future of our country in terms of the amount of debt that we're adding up is a matter of genuine concern," he added.

It's obvious that there will be more government spending in response to the coronavirus, but separating out the essential from the nice-to-have is more important now than ever.