

NATIONAL REVIEW

Trump's Confused Infrastructure Strategy

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Infrastructure is the magic word that animates both the Bannonistas and the Sandersniks. It has long been a priority for Donald Trump, who, during his primary campaign, proposed a roads program modeled on the New Deal's Works Progress Administration. Infrastructure reform was third on the Trump campaign's list of promises for the first 100 days of the administration, and the president affirmed it in his first address to Congress.

But no plan has materialized.

The administration later promised that a plan would be coming in the fall, but the prolonged debate on tax reform meant that it got delayed once more, though this time the reasoning was clearer. With tax reform put to bed before the end of the year, a new January timeframe for infrastructure reform seemed very reasonable.

This past weekend, Trump's chief economic adviser, Gary Cohn, outlined a proposal for nationwide infrastructure improvement built around public-private partnerships, with \$200 billion in federal spending and \$800 billion from state, local, and private-sector sources, for a total of \$1 trillion. This much is in line with earlier statements from the administration, only this time it had been undermined just hours before by the president himself. Echoing his comments to Democrats in September, Trump told Republican leadership gathered at Camp David that he considered public-private partnerships ineffective and that a different approach to infrastructure would be better.

While this certainly complicates matters for the president's policy team, it hardly comes as a surprise. Not only has Trump expressed skepticism of private-public partnerships before, but the last time he did also coincided with an official's speaking about White House plans for public-private partnerships. It is possible that the president's policy team took his earlier statements to be noncommittal, but now he has doubled down on them.

Trump's skepticism of his own administration's infrastructure proposals might cause a delay in their formal announcement until February. It could also open up the door to working with Democrats, who expressed similar notes of skepticism about the \$200 billion proposal last month.

Speaking to the *Washington Post*, Henry Cisneros, who was secretary of housing and urban development in the Clinton administration and is now is a partner at an infrastructure firm, sees

the Democrats working with Trump if the infrastructure plan raises the federal-government portion “toward \$400 billion to \$500 billion,” because many local and state governments are low on cash. Also, though Cisneros supports public-private partnerships, he believes the returns on infrastructure spending are not high enough to spur the additional \$800 billion it would take to approach the \$1 trillion cost of the plan. He reckons that a \$400 to \$500 billion plan would strike the right balance between the administration’s proposal and the president’s instincts, because it would require a smaller amount to be raised by private investment.

Will the Trump administration move in that direction? In a speech on Monday, Trump declared: “We’re going to be spending the necessary funds, and we’re going to get you taken care of.” This is stump-speech language, which does not always translate to policy priorities.

An administration official, speaking anonymously to CNBC, said that “the president’s inclination is to just ‘spend money,’” and that his “view of it is a Manhattan-centric vision of giant bridges and tunnels that people remember. If Donald Trump is building something, he wants it to be huge.” The official does not think Trump is on board with the administration’s plan.

What’s next? If the White House policy staff brings out a detailed infrastructure-spending proposal along the lines of their earlier ideas, which the president has criticized, it is unlikely to get much of a hearing. But because the politics of an infrastructure package do not immediately rule out Democratic votes in the way that a tax cut does, catering to the demands of fiscal conservatives is likely to be a lower priority this time around. (In any case, fiscal conservatives, in the end, largely put aside their concerns to support the tax cuts.). This means that the administration will likely raise the federal-spending element of the plan, perhaps partly funded by a gas-tax increase (the current federal gas taxes were set in 1993 and are not indexed to inflation).

If the administration does settle on an especially expensive infrastructure plan, right after passing tax cuts, the need for spending reforms elsewhere will be even more critical, but it seems that such reforms were not on the table at the conference this past weekend, at which the president and party leadership discussed this year’s agenda. In the words of Senator John Cornyn (R. Texas), “It’s not Medicare, Social Security, entitlement reform; it is more, workforce training.” His characterization was corroborated by Paul Ryan in an address following the conference.

White House officials will meet this week with the staff of Senator John Thune (R., S.D.), chairman of the Senate Commerce, Science, and Transportation Committee, which oversees infrastructure, so more information might be forthcoming.

The White House policy team should stick to its guns and focus on public-private partnerships. They have proven to be a successful way of ensuring efficiency and controlling cost. As Chris Edwards of the Cato Institute notes, where public-private partnerships have been used in U.S. infrastructure, they have saved taxpayer dollars and have helped avoid some of the pitfalls that come from federal funding (such as its one-size-fits-all approach to different local and state infrastructure needs). Infrastructure, like airport management, is a field in which the U.S. tends to have government-run projects where other developed countries have long since accepted the superiority of working with the private sector.

Perhaps Mr. Cohn ought to appeal to the president using his own language from the campaign book: “When I build a project, I watch the money. At least some of it is coming directly out of my pocket — and if I do the job right, a lot more is going back into that same pocket. I know what things cost, I know where the money goes, I know who is doing a good job, and I know who is just phoning it in. Our government should, too.”

If Donald Trump really does believe this about business construction, then he should understand why public-private partnerships are such an effective tool for building infrastructure.