WORLD NEWS GROUP

Washington Wednesday - Infrastructure subsidies

Mary Reichard

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MARY REICHARD, HOST: It's Wednesday the 4th of August, 2021.

Glad to have you along for today's edition of *The World and Everything in It*. Good morning, I'm Mary Reichard.

NICK EICHER, HOST: And I'm Nick Eicher.

It's time for Washington Wednesday. Today: The infrastructure of the infrastructure bill.

A group of senators from both parties on Sunday finished writing the first draft of a roughly $1 trillion dollar program.

The Infrastructure Investment and Jobs Act is about 2,700 pages thick. It calls for $550 billion in new spending over five years over and above already-planned spending. It would fund work on a wide range of public works projects.

While a bipartisan group of negotiators was able to come together, it remains to be seen if the final bill can muster enough GOP votes to avoid other Republicans blocking it with a filibuster.

REICHARD: So what exactly is in the bill? How would it be paid for? And what will it all mean for American taxpayers?

Joining us now to help answer those questions is Chris Edwards. He's an economist and Director of Tax Policy Studies at the Cato Institute. Chris, good morning!

EDWARDS: Hey, thanks for having me today.

REICHARD: First of all, Chris, give us a high level snapshot of what's in the bill and where all that money would go.

EDWARDS: Well, Congress was scheduled to reauthorize its regular highway programs this year anyway. And that would have cost about $500 billion or so. Anyway, this new bill that the Congress is now considering would essentially double that amount of money up to a trillion dollars, as you mentioned. So this bill would spend a lot of money on things the federal government already spends money on, like highways and transit, but it would add in a bunch of new subsidies for things like electric utilities, broadband and electric vehicle charging stations.

REICHARD: One concern raised by lawmakers on both sides of the aisle is potential corporate welfare within this bill? Chris, from what you’ve read, what is fueling those concerns?

EDWARDS: Yeah. I'm really concerned about this aspect of the bill that it goes into new areas of federal subsidization for privately owned infrastructure. So it would provide $73 billion to electric utilities to expand their transmission grid, it would provide 7 billion for electric vehicle charging stations, it would provide 65 billion for broadband in rural areas. I think that's a dangerous area for the federal government to get involved in. Because then, you know, other industries that provide private sector infrastructure are now going to start lobbying Washington for their own subsidies. Electric vehicle charging stations, some of your listeners may not know but there's already about 30,000 electric vehicle charging stations installed across the country by the private sector. If you go to your local Target or Walmart, they're already putting in these charging stations. So in my from my perspective, I'd say hey, let's let the private sector do this. electric vehicles are increasingly popular, and the private private industry already has a lot of incentive to put in these stations themselves. So I don't think we need the additional federal subsidies here.

REICHARD: Not to mention that most people that I know couldn’t afford an electric car right now anyway so why would we have federal spending to fund what rich people can buy.

EDWARDS: There is a lot that have that sort of subsidize the rich stuff going on with federal infrastructure spending. Another good example is transit spending. You know, most Federal Transit subsidies actually go into light rail systems and Amtrak, and if you look actually the demographics of who uses those projects, it tends to be the elite upper middle income higher income people, and indeed some of the federal subsidies for cities that encourage them to build a light rail system. they take money away from their bus systems, which are the systems that are the most help to lower income workers who need to get to their jobs. So, you know, I'm concerned about that bias towards rail with these federal subsidies as well.

REICHARD: Well, I know the two sides disagreed throughout this process on how to pay for the infrastructure spending. How did they resolve those differences so far and how would this bill pay for it?

EDWARDS: Well, Congress likes to spend, of course, and neither party likes to raise the taxes to pay for it. And that's why we have such massive federal deficits already. Unfortunately, this bill is kind of unpaid for, and it will push the costs on to taxpayers down the road. There's some accounting sleight of hand here. I mean, for example, the supporters of the bill say that there's $200 billion of money that has already been authorized for previous pandemic spending that is now going to be repurposed for this infrastructure bill. But really, I'd like to see that money pay down the debt. If we have extra money that wasn't spent on unemployment insurance benefits, for example, I'd rather use that money to pay down debt rather than this new spending. I mean, ultimately, federal government spending is going to land on taxpayers if we were going to increase debt now. And that means taxpayers in the future will have to pay those higher charges, then.

REICHARD: So just to be clear as it stands now this bill would merely add to the national debt? It doesn’t do anything to ameliorate that.

EDWARDS: That's right. There are some sort of revenue raisers. But they're pretty minor, mainly. We're going to be adding more borrowing. The federal deficits already $3 trillion this year, an enormous amount of money. So we would be adding to that with his bill.

REICHARD: GOP Sen. Rob Portman said this bill will help the United States better compete with China and would make the economy more efficient and productive. Chris, doesn't this bill help to do those some of those things, at least somewhat?

EDWARDS: I don't think so. And here's why I say that because state governments own most of the government infrastructure in America. So for example, the entire interstate highway system may surprise some of your listeners, it's actually owned by state governments, and transit systems run by local governments. So if those state and local governments think that they could increase the efficiency of their state economy with more investment, they would be doing it already. Many state governments already have their own gas taxes that fund their own highway systems, they've got income and sales taxes, they already spend a lot on their own infrastructure. And if they want to spend more, they are free to do so. I don't see any advantage in Washington coming in and increasing in spending for every state, every state has different needs. You know, to give you an example, I mean, the southern states, Florida and Texas are growing rapidly. They have new, higher demands for new highway infrastructure. Well, great, they can raise their own taxes to fund their own highway expansion. Some of the slower growing states in the northeast, they don't need new highway capacity. So we shouldn't be, you know, spending so much money there. So I think that's the problem when Washington comes in, it's sort of a one size fits all. And I think the states are really, you know, they're they're capable of funding their own infrastructure.

REICHARD: Anything else in this bill that really caught your attention?

EDWARDS: Well, one interesting part of the the infrastructure bill is that they, you know, the Biden administration is very interested in taking steps to avert climate change, and you know, which is a sensible goal. But the interesting thing about this infrastructure bill is it is not funded in a green manner. And what I mean here is this is that the green way to fund infrastructure is by user charges. So if you want people to use highways less, you should increase the gas taxes so that they drive less. If you want people to conserve water, you ought to increase user charges for water in order to do new water investment. Yeah. But this bill, the the, the infrastructure bill does the opposite. So for example, it would subsidize electric vehicle charging stations. Well, that's sort of subsidizing people to use energy. It seems to me that you'd want to fund electric vehicle charging stations by user charges on the draw on drivers. So I think there's a missed opportunity here that we could have moved America's infrastructure more towards Green financing by increasing user charges to fund new infrastructure spending, not by subsidizing it with federal deficits and future taxes.

REICHARD: Chis Edwards with the Cato Institute has been our guest. Chris, thank you!

EDWARDS: Thank you very much, Mary.