



Cato critiques federal involvement in infrastructure projects

POSTED ON JANUARY 22, 2013 AT 7:06 AM, BY MITCH H. KOKAJ

Should the federal government take on a larger role in supporting infrastructure projects across the United States — “shovel-ready” or not? [Chris Edwards](#) of the Cato Institute’s [DownsizingGovernment.org](#) has released a new report ([PDF](#)) suggesting the answer is no.

Despite huge and ongoing budget deficits, some policymakers are proposing to increase federal spending on infrastructure. President Obama, for example, has called for passage of a \$50 billion plan for new infrastructure investment. The president and other leaders believe that more federal spending on roads, rail, and other assets would boost growth and create jobs.

The U.S. economy certainly needs infrastructure. The important policy issue, however, is who can deliver it most efficiently—the federal government, state and local governments, or the private sector. To maximize benefits, infrastructure spending should be allocated to the highest-valued projects and constructed in the most cost-effective manner. Yet decades of experience show that when the federal government gets involved in infrastructure, investment often gets bogged down in politics, mismanagement, and cost overruns. ...

... There are frequent calls for increased federal spending on infrastructure, but advocates ignore the problems and failures of past federal efforts. There is a history of pork-barrel politics and bureaucratic bungling on many types of federal investment, which has often gone to low-value and even harmful activities.

Consider the two oldest federal infrastructure agencies—the Army Corps of Engineers and the Bureau of Reclamation. Although these agencies constructed some impressive facilities, they have also been known for spending on boondoggles, distorting their analyses to justify projects, harming the environment, and spending on projects for private interests rather than the public interest. For example, the Army Corps’ costly “MRGO” canal near New Orleans was a big economic failure, and it also magnified the damage caused by Hurricane Katrina.

Federal infrastructure projects often suffer from large cost overruns. Highway projects, energy projects, airport projects, and air traffic control projects have ended up costing far more than promised. When both federal and state governments are involved in infrastructure, it reduces accountability. That was one of the problems with the federally backed Big Dig highway project in Boston, which exploded in cost to five times the original estimate. U.S. and foreign studies have found that privately financed infrastructure projects are less likely to have cost overruns.



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