New debt from infrastructure bill could 'lower economic growth,' says economist

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Economists and lawmakers are wondering about the potential effect of the bipartisan infrastructure bill on economic recovery as the U.S. faces rising inflation and the ongoing pandemic.

“It's not a huge fiscal hit, but I think it's another good example that nobody in Washington really cares about the deficit and debt, we're just going to throw on another $250 billion or so and move on," said senior fellow at the Cato Institute Scott Lincicome to The National Desk’s Jan Jeffcoat. “The bigger thing here though is that it doesn't really embrace any real reforms to our infrastructure and construction system and our federal contracting and that's really unfortunate.”

Lincicome says the bill is also “chock full” of corporate welfare and green energy subsidies.

“I think maybe the most important thing is then the Senate just moved on to their $3.5 trillion spending bill, which is next up,” said Lincicome.

“On average, private investment is more productive than infrastructure investment,” said Douglas Holtz-Eakin in a recent article analyzing the Congressional Budget Office’s report on the infrastructure bill.

The infrastructure bill will “spur some private investment and construction and the rest of it, but because it's not paid for the CBO shows that the new debt has the potential to crowd out private capital investment over the long term,” said Lincicome.

Lincicome says that will “potentially lower economic growth.”

When it comes to inflation, there was a slow down in the month of July according to reports - but Lincicome says it’s still at a “very high level.”

“Instead of moderating down to a normal level, we're staying at that high level,” said Lincicome. “It is good to see it slowing down and this is the first time that it actually was below economists' expectations in a while.”