InfrastructureUSA

Guest on THE INFRA BLOG

Ethan Pollack, Policy Analyst, Economic Policy Institute

Conversation with Steve Anderson, Managing Director, InfrastructureUSA

Ethan Pollack:

Impact of infra investment on low and middle-income households

One of the best ways to help low and middle-income households, both in the near term and in the long run, is by significantly boosting our investment in and modernizing the transportation infrastructure. I think that comes about in a couple ways. The first is, of course, we're in a very severe jobs crisis right now. This is the short term. We need to create about 11 million jobs just to get back to where we were before the recession in terms of the unemployment rate, which was at a not-so-great 5% as it was. So even if we just created jobs at the same ratio of the overall economy, that would still really help the low-income households because they have suffered so much in the current recession. But it goes actually beyond that because transportation investments actually provide jobs that disproportionately benefit the people who've been hardest hit by the recession. If you look at direct and indirect jobs from transportation investment, over half of them go to workers that have a high school degree or less, and that group has an unemployment rate that's much higher than the national unemployment rate. You've got the same thing for Hispanic communities as well which I think get about a third higher share of the jobs created from transportation investments than the overall economy. And they, as well, have high unemployment rates -- higher than the national population. Beyond just the job creation -- which is certainly very important -- I think that if we just focus on job creation we take our eye off the ball. We actually are creating a more efficient and modernized transportation infrastructure, and that leads to lower household cost, that leads to lower business cost, that leads to lower poverty, that leads to greater health and less asthma, and a variety of other benefits, that, I think, really go to addressing a lot of the difficulties that low and middle-income houses face.

The gas tax

There are two main obstacles. One is that we hold very dearly this idea that investments need to pay for themselves immediately and not just pay for themselves out of tax revenue, but actually tax revenue derived from the system itself, which essentially means: if you want to increase investment, you have to increase the gas tax. The gas tax is a tax that I think is good. I think it should be higher for a variety of reasons. But it is also unpopular because for Republicans it is a tax, so they don't like it, and for Democrats it tends to be a relatively

regressive tax. I think a little less regressive than a lot of people think, but it's still certainly regressive. And, I would add in a third issue, which is the United States Senate tends to be disproportionately representative of rural states which bear more of the brunt of the gas tax, so by tying any increase in transportation investment to an increase in the gas tax, you're making it very difficult to actually increase those investments. The second reason is that politicians tend to be so focused on the return to their state in terms of dollars; this actually is still talking about the tie between the gas tax and the investments. But if you look at the last reauthorization, politicians paid so much attention to,"Okay, my state contributed this much in gas taxes and towards the trust fund, we need to get this much back." It made it so that no one was really promoting positive visions on where we wanted to take this country, and really dumbed an entire debate down over arithmeticand over who's a winner and who's a loser, as opposed to "What transportation policy do we need that's in the best interest of the entire nation?" I think that this debate so far in the last couple of years has been a lot more substantive, but at the same time we haven't actually gotten really deep into the legislative process and I hope that we're able to maintain a forward looking perspective as we actually get into the legislative weeds, but I'm not overly optimistic.

Grassroots participation

You're seeing in cities all across the country a lot of new systems being rolled out where citizens can play more active roles in pointing out deficiencies in infrastructure. In DC you can take a picture with your smart phone of a pothole and say where it is and then you text it to the Washington MetropolitanAuthority, and then that's on their radar and they know that, "Oh, that's something we need to go fix." And that creates kind of an ownership where the people that are living there are looking around their infrastructure to see how they can actually help, instead of justhaving to complain about it whenever they vote; instead, they can actually be a proactive part of the solution.

Moving forward on a national scale

On the national level I really think we would be doing a lot better in terms of political prospects for infrastructure investments if we hadn't been both in this recession, and then also had the political system, essentially, get dominated by concerns about the deficit. I think that was something where, if you were going to invest more in infrastructure inherently you have to be spending more. And the way we spend more in infrastructure is increase taxes rather than deficit finance it. And in this climate, that's just gotten more and more difficult in the last year or so. I think there may have been a window of opportunity after the 2008 election, but there's only so much oxygen for that. I still think, going forward, I'm still relatively optimistic that this is one area where Democrats and Republicans, and I think even the Tea Party Republicans, might be able to find some sort of agreement. I think that a six-year reauthorization would certainly be difficult, but

perhaps a two-year authorization might be easier where we kind of do a lot of the policy reforms while putting off the fight over higher or lower investment. I think also the infrastructure bank is an idea that I still think needs to really be pushed. I know President Obama had proposed it in the 2008 campaign and again this past fall, but I think it's something that has the potential to be somewhat game-changing if done right, and if made actually independent, and if it's actually allowed to issue it's own debt. I think that it could be a major game changer.

www.InfrastructureUSA.org
212.414.9220
info@infrastructureusa.org