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Sustaining an Infrastructure for Success

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In the wake of infrastructure related tragedies that struck Minnesota and New Orleans, political leaders have demonstrated once again that they do not understand the benefits of public investment. Mistakenly seeing only the financial burden of public investment and ignoring the future returns, they have failed to allocate enough public funds to adequately repair America's roads, bridges, railways and electric grids. As a consequence, America is stopped short of reaching its full economic potential.

The costs of our crumbling infrastructure include wasted fuel, traffic delays and clogged ports. Congestion on America's roads results in losses between $70 to 78 billion every year in wasted fuel. The U.S. Transportation Department estimates freight bottlenecks waste $200 billion per year in inefficiency. While demand for infrastructure has increased, we have not only failed to expand capacity, but also failed to adequately maintain existing transportation networks. Poor road conditions alone cost the average American $275 dollars a year in repairs, and according to the Highway Economics Requirements System (HERS) of the Federal Highway Administration, over $460 billion should be spent today on roads and highways due to current poor conditions and operational performance. Based on savings from transportation costs alone, public infrastructure investment would save Americans hundreds of billions of dollars every year.

Not only would robust infrastructure investment shed the dead weight of infrastructure problems, it would also propel the economy forward by attracting business investment, stimulating job creation and generating tax revenue. Failure to maintain roads, railways, seaports and airports has increased the cost of moving goods around the U.S. and made delivery less reliable.

Thomas Donohue, the president and CEO of the U.S. Chamber of Commerce, has voiced his concern about America's failure to provide world-class infrastructure and has warned that should we fail to invest, our economy will not achieve its full potential. If we ignore Mr. Donohue's warning, inadequate infrastructure will further depress business investment in the United States and companies will seek opportunities abroad.

As we linger, competition to U.S. manufacturing and other industries from developing countries is mounting. For the first time, high-tech corporations such as Intel are moving full operations to China to take advantage of lower wages and infrastructure tailored to attract private investment. We must compete not by resorting to protectionist measures or by depressing U.S. wages, but by pursuing a high-road investment strategy in public infrastructure. Bernard Schwartz and Sherle Schwenninger argue in a recent piece in Democracy Journal, "By providing businesses with a better high-tech infrastructure, more skilled workers, and access to cheaper and cleaner energy, it lowers the cost of doing business and increases the efficiency of investment in the United States."

With a well-maintained world-class infrastructure, firms will onshore high-tech manufacturing and advanced services. Technology firms have swarmed to the Columbia River Gorge, where they have access to large amounts of cheap, clean, reliable electricity. Similar investment in bridges and roads today will give business the capacity to profit and pay us returns tomorrow. Stimulated private business investment will increase corporate revenues, create jobs, increase American exports and ease the U.S.

trade deficit.

Investment in the productive capacity of American business has defined our historic economic development. Projects like the Interstate Highway System returned six dollars for every dollar invested. It would be a mistake for modern political decision makers to abandon a tried and true, business-oriented public investment strategy.

Unequal distribution of infrastructure across the United States also disrupts business development and investment. For example, the United States ranks 15th in the world in broadband penetration, a measure of access and affordability to high-speed Internet. In neglecting information-age infrastructure such as Internet access, we are sacrificing enormous productivity gains for large regions of the country.

Recent growth in Southern California illustrates the vast potential of infrastructure investment. Urban affairs expert Joel Kotkin points to the example of Orange County, San Diego, and the Inland Empire, where local leaders made the decision to invest heavily in infrastructure and have accordingly reaped substantial economic benefits. The region added 1.1 million jobs from 1994-2005. In contrast, the San Francisco Bay Area, notorious for having the worst infrastructure in the state, suffered dismal job growth of 93,000 during the same time period -- just one twelfth that of their Southern California neighbors. For cities across America this trend holds true. Those that invest in infrastructure, such as Dallas, Houston, Charleston and Phoenix, have enjoyed strong job growth and equitable economic development. Meanwhile, those that have failed to invest, such as New York, Boston and Baltimore, have experienced dismal job growth and greater inequality.

Public investment will attract corporations to onshore production, reinvigorate the work force, and generate strong tax revenue. We must move beyond the nickel-and-diming attitude we have taken toward our productive capacity; we must think bold and basic, and invest in public infrastructure. Finally, we must abandon our present misconception that financing public investment is a burden. Rather, it is the best chance for us to re-stake our claim in America's future economic growth.

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