The Daily Dish

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DOUGLAS HOLTZ-EAKIN | OCTOBER 14, 2014

The administration may be trying a new strategy for this year's open enrollment period for Obamacare: don't promise anything. As reported by Politico, HHS head Sylvia Mathews Burwell and other officials have changed their tune from last year adopting more vague phrases such as "What we have said is that the experience will be better." That's a pretty low bar.

The Energy Information Administration is leaning in favor of opening up the United States' decades old crude oil export policy. Though they have not released the final report yet EIA Administrator, Adam Sieminski, cited preliminary findings to conclude that "exporting some of the stuff that we don't need and getting in some of the stuff that we do need might be something that is best for the economy."

The Federal Highway Administration is having a tough time tracking their own spending. According to a new report by the GAO, poor reporting has led to $41 billion not being adequately tracked. The report found that there is no detailed reporting for projects costing less than $500 million. 88 percent of Highway's yearly money spent is on these projects.

Eakinomics: Infrastructure Spending

The focus is shifting back to infrastructure spending. In the U.S., the focus is driven by the need to reform and permanently fund the Highway Trust Fund, or perhaps give up on a dedicated funding mechanism and put highways into the regular appropriations process. Globally, the diminished growth outlook recently published by the International Monetary Fund and World Bank included a call for greater investment in public capital spending and infrastructure. (They are not exactly the same thing when one considers, for example, electric generation and transmission as infrastructure. These are private sector activities in some countries.)

Good infrastructure is an economic necessity and there is some merit to taking a good look at the status of U.S. infrastructure. But there are five important considerations that should accompany any push on the infrastructure and transportation capital front:

1. *Most infrastructure benefits states or localities.* Accordingly, those governments should take the lead in identifying projects and programs. And, to get incentives right, they should also bear the bulk of the costs. Only in those situations where there is a clear national benefit should the federal government become involved in financing the project.

2. *A corollary is that federal programs need reform to focus on national objectives.* For me, that national objective should be economic growth, and the need for geographical connectivity to foster growth. That means pork barrel spending at the federal level on water, highway and other projects is out. Economic growth is in.

3. *Pay for any additional outlays with reductions in transfer programs*. The goal should be growth, and adding debt to the already unsustainable outlook or raising additional taxes diminishes any beneficial growth effects. Infrastructure spending should be "paid for" by cuts in other outlays. Since transfer payments do little, if

anything, to add to the trend growth rate of the U.S. economy, they should be used to keep budgetary discipline when spending on infrastructure.

4. *Infrastructure spending is not "stimulus."* Forswear any allegiance to "shovel ready" projects and take a vow of humility regarding the ability of the federal government to deftly add to aggregate demand at the right moment and in the right amount. The historic record on this front is dismal. Yes, highway and other infrastructure spending will have some short-run impacts on demand. These are good news, and better when they occur during slack periods. But the long-run quality of the infrastructure is much more important and the timing of spending should be driven by the needs of high-quality projects.

5. *Transportation funding should be mode neutral.* What is the best: planes, trains, or automobiles (or trucks)? Who knows, depending on where and when the investment takes place. The federal government should not reflexively pick winners and losers in private industry, and the same rule applies to productive public investments. In some circumstance it could be a public-private partnership on dedicated truck lines to connect a port and rail hub. In others, an improved rail service. This, by the way, is an argument against a dedicated highway trust fund that puts highways on a superior footing to air or rail projects without dedicated funding.

The debate over highway and other infrastructure spending is just starting. But these five principles are a good guide to following the action.

From the Forum

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