Senate Democrats Pitch Transportation Bill as a Job Creator

In another purported attempt to spur "job creation," Senate Democrats will try to transform their $109-billion transportation bill into law this week. In this delicate economic time, and as the federal government continues to deepen the nation's mounting deficit, the call for roads, bridges, and trains has met resistance. So congressional leaders are reverting to the Democratic rally cry that has become ingrained in the Obama administration's political ideology: Government creates jobs.

But the response from many economists is that government spending — in this case, infrastructure spending — seizes jobs created elsewhere in the private-sector economy and shifts them to transportation industries. In effect, it's a redistribution of jobs.

"Investments in transportation infrastructure, if well designed, should be viewed as investments in future productivity growth," asserted Alice Rivlin, a former director of the White House Office of Management and Budget. "If they speed the delivery of goods and people, they will certainly do that," she said. "They will also create jobs, but not necessarily more jobs than the same money spent in other ways."

Sen. Barbara Boxer (D-Calif.), the head sponsor of the transportation bill now toiling in the Senate, claims the legislation will safeguard 1.8 million jobs that would be eliminated if governmental authority to distribute transportation trust fund monies expires; moreover, she said, it will generate another one million new jobs through a one-billion-dollar loan-guarantee program.

Democratic lawmakers have expressed urgency because spending authority for highway and transit programs — and governmental control of the 18.4-cents-a-gallon federal gas tax — is set to expire at the end of this month. President Obama has proposed his own transportation bill, which would spend $476 billion over six years. But Congress has shown ardent resistance to such a colossal proposal, as lawmakers have already had to forage through the budget to harvest money for the Senate bill, which is a quarter the size of Obama's proposal.

Naturally, the doom-and-gloom scenarios have begun to surface, as Politico indicated in an article published Sunday:

> Immediately, most of the 18.4-cents-per-gallon federal gas tax will expire, potentially saving Americans at the pump as gasoline prices skyrocket but draining the already-shaky Highway Trust Fund $110 million a day. The government will still collect 4.3 cents per gallon, but that money will

> pile up and can't be disbursed to cash-strapped states, according to an administration official.
>
> The construction industry will also take a big hit, just as the spring construction season starts. That means decaying roads, unfilled potholes and barren construction sites, as well as continuing economic hardship for industry workers.
>
> Already, the construction industry is seeing higher numbers of unemployment compared with other professions. Nationally, the unemployment rate in the construction sector neared 18 percent in January, according to the Bureau of Labor Statistics.

"The bill is ready, it's ripe and we need to get this done," Senate Majority Leader Harry Reid (D-Nev.) told reporters Friday. But while the Senate was thought to have passed the legislation with ease — as it welcomed bipartisan support in several committees this year — it has been stalled by a flurry of amendments. The amendment count is up near 100, but Reid filed last week for a procedural vote to dismiss further debate and proceed with a final passage vote, which is expected to arrive as early as today.

Reid has pounced on the economic stimulus approach. "The legislation would put 2 million middle-class Americans back to work right away," the Nevada Senator professed, as he bristled about the countless amendments weighing down the bill. "Although our economy has gained momentum, there are still millions of Americans out of work. So it should be obvious why we can't afford to delay efforts to rebuild our roadways, railways and bridges."

Proponents have also warned of mass layoffs and sharp spikes in unemployment if the bill is not passed. "The building and construction trades are looking at 15, 20, 30, 40 percent unemployment depending on the trade and the location," Rep. Earl Blumenauer (D-Ore.) cautioned. "If they can't get an extension done, then construction comes to a screeching halt," echoed Janet Kavinoky, the top transportation lobbyist for the U.S. Chamber of Commerce.

In addition to preserving jobs, Sen. Boxer maintains that every $1 billion in highway spending generates about 35,000 jobs if local and state governments match the aid. Millions of jobs "are hanging in the balance," she alleged.

But that estimate "assumes that if this bill doesn't pass, all funding ceases, which really isn't a fair assumption," countered Joshua Schank, president of the transportation think tank Eno Center for Transportation. It is doubtful that Congress would permit such infrastructure aid to expire if legislators can't find agreement on a longer-term bill, Schank averred. Alternatively, he added, lawmakers will likely push through a short-term extension of current programs, which they have done several times since the last long-term transportation program lapsed in 2009.

Furthermore, the analysis of job creation spurred by the loan-guarantee program may be faulty, economists argue, because the program is targeting extensive projects that may be a long time coming. "In many cases this is not spending that occurs very rapidly," suggested Alan Viard, an economist at the American Enterprise Institute. "Anything that involves construction has notoriously long lead times."

For example, the interstate highway system was commenced in 1956, and it wasn't completed until 35 years later. "How many jobs did we create by building the interstate system?" Schank queried. "Nobody knows."

Photo: I-55 under construction in Mississippi, in May, 1972

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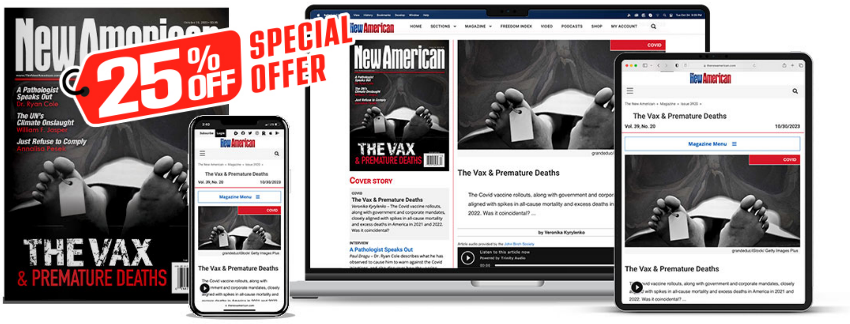

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