



Written by [Brian Koenig](#) on October 6, 2011

Michigan Gets \$196.5 Million Grant For Amtrak Rail

Federal authorities furnished Michigan transportation officials Wednesday with a \$196.5-million grant for track and signal upgrades on an Amtrak passenger rail running between Chicago and Detroit. The line, running on Amtrak's Wolverine and Blue Water services, will reportedly yield speeds of up to 110 miles per hour on a route serving nearly 30 million people. Granted to its own beloved enterprise (all of Amtrak's preferred stock is owned by the federal government), the government's lavish gift to the train line comes at the expense of American taxpayers.



U.S. Transportation Secretary Ray LaHood (pictured) claims the grant to the Michigan Department of Transportation will slash travel times between Detroit and Chicago by up to 30 minutes. "This is an important investment that will reduce travel time, improve reliability and on-time performance, and attract more passengers," LaHood [applauded](#). "We are creating jobs in Michigan, building our rails with American-made materials and growing the regional economy."

Predictably, Democratic supporters tout the infrastructure jobs and new business activity that will stem from Amtrak's latest endowment. Michigan Senators Carl Levin and Debbie Stabenow hailed the grant's approval and its economic benefits for their state — including, of course, their constituencies — claiming it will generate 800 new jobs during the construction phase. The new high-speed lines will provide more transportation options for Michigan residents, Stabenow added.

"This funding will help move Michigan and the nation forward by making high-speed rail a part of our economic infrastructure," [said](#) Levin. "Our economic competitors around the world have long enjoyed the benefits of high-speed rail service between their cities. They have demonstrated that high-speed service can create jobs and promote economic growth, and that it can provide a more energy-efficient alternative."

In a release, Secretary LaHood [asserted](#) that Amtrak's new project will support "new, continuously welded rail and ties, fiber-optic lines and infrastructure to support a positive train control system, rebuilding 180 highway-rail grade crossings, and gates and flashers at 65 private highway-rail grade crossings."

Opponents of Amtrak's new grant are emerging from the woodworks, as the congressional debate over government waste endures and budget offsetting measures are being juggled to address President Obama's new jobs plan. Much of the debate will lead to the following question: Should the U.S. government refrain from increasing taxes on private-sector job producers, or continue to dish out federal grants to "green" enterprises and public infrastructure projects?

Part of the House Republicans' latest efforts to tame the federal budget, proposed early in September, included cutting federal funding to Amtrak for trains already accepting state financial support. One prominent supporter of cutting Amtrak's federal intake is Rep. Bill Shuster (R-Pa.), Chairman of the



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House Railroads, Pipelines, and Hazardous Materials Subcommittee. "Amtrak needs to operate like a business operates. We're losing money every year," he [said](#). "I don't believe it should necessarily turn a profit, but it should break even or at least drastically reduce the amount of money it takes from taxpayers."

Shuster and other Republicans believe the private sector should determine Amtrak's successes and failures, because a privatized business environment would increase efficiency for the railroads, tame the runaway federal deficit, and ease the burden on American taxpayers. Ramping up federal funding will only depress the incentive for efficiency and financial independence, they argue.

Former Massachusetts Governor and GOP presidential candidate Mitt Romney recently supported a plan to privatize Amtrak, which he believes would be an effective cost-cutting measure to rein in government spending. In an op-ed for the *New Hampshire Union Leader*, Romney laid out his solutions for curbing federal spending. "A first step in reform is acknowledging that the federal government cannot be everything to everyone," he [wrote](#). "There are many functions that the private sector can perform better than the public sector ... Amtrak is a classic example."

The fact is Amtrak is broken, and it has been for quite some time. Much of its failure stems from an ideology that originated in the late 19th and early 20th centuries — the era of the ill-defined "robber barons" — the theory that the transcontinental railroads would have never survived without low-interest government loans and bulky land grants. The free market would have failed to provide enough capital and ensure competitive rates to survive in such a demanding market, so the theory goes. This theory rapidly developed during the construction and operation of the Union Pacific and Central Pacific railroads, following the Civil War.

But the federal assistance these two railroads so joyfully procured only made operations less efficient and construction clumsy, as the government's protection ushered in skewed incentives. So along came "Empire Builder" James Hill, a successful market entrepreneur who built his own *private* transcontinental railroad, the Great Northern Railroad, which he accomplished "without any government aid, even the right of way, through hundreds of miles of public lands, being paid for in cash," he [said](#). Understandably, Hill assailed the government handouts his competitors came to favor, as he wrote, "The government should not furnish capital to these companies, in addition to their enormous land subsidies, to enable them to conduct their business in competition with enterprises that have received no aid from the public treasure." *The New American* [described](#) Hill's fortunes in a July 2010 piece:

Hill got his start when he and several partners purchased a bankrupt Minnesota railroad that had been run by a well-known political entrepreneur, Jay Cooke. Cooke was no railroad man, but received the Northern Pacific Railroad as a payoff for his efforts in helping to finance the Union during the war. Because of the disincentives created by subsidies and land grants given on a per-mile basis, Cooke built his railroad shoddily and ran it poorly, and by 1873, the railroad was bankrupt. Biographer Michael Malone, author of *James J. Hill*, considered Cooke and his business associates to be "derelicts at best and thieves at worst."

Yet despite Hill and other market entrepreneurs' success in such government-intrusive industries, Democrats and others claim that ongoing projects such as Amtrak simply cannot remain viable without federal loans and so-called "stimulus." But contrary to such thought, derailing federal funding for Amtrak would curb federal spending and build a new, freshly-paved road for market entrepreneurs to operate a 21st century railroad with competitive rates, improved efficiency, and service which a



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government-subsidized Amtrak could simply not match.

Secretary LaHood claims his \$196.5-million federal grant will reduce travel time, improve efficiency, and attract more passengers — much like Hill's private railroad offered — but all the historical evidence leads many to believe that if Amtrak continues to grapple at the government's offerings, its track record will remain severely flawed.



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