INFRASTRUCTURE-LED STIMULUS PACKAGE REMAINS A POSSIBILITY

Members of both major political parties seek to improve infrastructure and bolster productivity.

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During his successful campaign, President Trump announced that his administration would launch a $1 trillion infrastructure-led stimulus package to be implemented over the course of 10 years. The idea centers around public–private partnerships, with the plan embodying $137 billion in tax credits to attract private capital; in theory, the associated economic impacts would cover any lost public tax revenue.

Hypothetically, the idea makes sense. The U.S. private sector represents a storehouse of substantial investment capital searching for yield. Among the enterprises seeking to deploy capital are pension funds, multinational corporations, university endowments, private equities, and hedge funds. The public sector, by contrast, generally has precious little available capital. What capital exists mainly flows to non-infrastructure priorities, whether it be entitlements, education, or other public services.

Trump's plan has gained some intellectual support — Bob Poole, a libertarian economist for the Reason Foundation, has said that President Trump's plan will treat infrastructure as a public utility. Specifically, he has stated that, "People get their highway bill every month like they get their electric bill and water bill. They're paying for what they use and only what they use. They're not subsidizing a whole bunch of other projects that they never see."[1]

The practical consideration is whether these public–private partnerships could generate enough of a return in the private sector to attract sufficient levels of private capital. While tax credits will help, in certain instances, public–private partnerships may not emerge due to a lack of sufficient return. Moreover, to generate returns adequate for private investors, there may be large increases in tolls, airport fees, and other user charges that may not be acceptable to public policymakers.

Another consideration is that while private interest may benefit certain categories (e.g., power grids and toll roads), there may be a lack of sufficient inter-

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est in other categories, which would result in an unbalanced investment in the nation's infrastructure, with less-favored segments continuing to suffer from underinvestment.

The new president's political opponents have suggested a different plan but have not rejected the notion that the nation needs to invest more aggressively in its infrastructure. An alternative plan released in late January offers to spend the same amount of money ($1 trillion) over the same time period (10 years). The plan would embrace a more traditional approach by increasing spending in areas perceived as requiring the most funding, with $220 billion set to go toward repairing bridges and roads, $180 billion dedicated to upgrading mass transportation systems, and $110 billion targeted toward modernizing the nation's electrical grid. Proponents of this alternative plan say it will generate 15 million new jobs.[2]

DESPITE THE BIPARTISAN AGREEMENT THAT THE NATION'S INFRASTRUCTURE IS IN DESPERATE SHAPE, IT REMAINS CONCEIVABLE THAT NO LARGE-SCALE STIMULUS PACKAGE WILL EMERGE.

Obstacles

Despite the bipartisan agreement that the nation's infrastructure is in desperate shape, it remains conceivable that no large-scale stimulus package will emerge. After all, the nation is now associated with a $20 trillion national debt. The new president has also indicated some emerging priorities, including manifesting a desire to spend significantly more on defense and homeland security and less on domestic priorities.

Even some would-be allies have expressed skepticism. In December 2016, Senate Majority Leader Mitch McConnell (R-KY) expressed some doubt regarding the then president-elect's infrastructure plan, stating that, "I hope we avoid a trillion-dollar stimulus."[3] At the time, he was concerned about adequately funding the plan. Since Trump's inauguration, however, he has rejected a Democratic plan put forth by Chuck Schumer (D-NY), comparing it to the stimulus package introduced by President Obama during his first few weeks in office.

Not surprisingly, other Democrats have voiced skepticism regarding the president's plan. House Minority Leader Nancy Pelosi recently told Meet the Press host Chuck Todd that she's more focused on job creation than a "tax break for [Trump's] rich friends."[4] Shortly after Trump's victory, Senator Bernie Sanders called Trump's plan a "scam," saying it was "corporate welfare coming and going."[5] More recently, the progressive politician from Vermont has said that he is willing to work with the president. Democratic Representative Ruben Gallego from Arizona's 7th Congressional District has called the president's plan a "privatization scheme, rife with graft and corruption."[6]

Politicians are hardly the only critics of the president's plan. Harvard professor and former Treasury Secretary Lawrence Summers criticized the plan in a keynote speech at an event hosted by the Brookings Institution, which is a think tank based in Washington, D.C. Although Summers is in favor of increasing infrastructure spending in general, he called Trump's plan a "Potemkin village of nothing."[7] In an article published by *Business Insider*, it was reported that Summers would prefer a plan that utilized user fees, such as highway tolls and congestion charges, as a more reliable mechanism by which to finance large projects.[8]

There are other considerations suggesting that those desirous of an infrastructure-led stimulus package will need to wait, at least for a few months. House Transportation Committee Chairman Bill Shuster has said that he doesn't expect any big changes until the spring of 2017. Shuster envisions something emerging during the president's second 100 days in office.[9]

That may or may not occur. The new president has also pointed out the complexity of health care. The administration is simultaneously wrestling with tax reform (e.g., corporate tax rate reductions and border adjustment taxes), federal agency restructuring, a Supreme Court nominee, shifting immigration and trade policies, in-house leaks, and possibly an investigation into interactions with Russian officials. In short, there is much that can trip up an infrastructure package, implying that stakeholders may have to wait well beyond the president's fourth, fifth, sixth, and seventh months in office.

At the same time, there remain certain points of intense agreement. As an example, both President Trump and Senator Schumer agree that there is a need to renovate and expand Amtrak's Northeast Corridor, also known as the Gateway Program.[10] If compromises such as these remain the center point of negotiations, it is more likely the nation will see an infrastructure plan that benefits everyone. ■

NOTES

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