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Stimulus Plan's Delayed Job Creation: Some Won't Get Jobs Until 2012 or Later

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As Congress took up the debate on the President's massive stimulus plan, the American Recovery and Reinvestment Act, efforts by skeptical Members of Congress to subject the package to committee hearings and a thorough debate were rejected, including the simple request that Members be provided with enough time to at least read the 407 page bill. Those in favor of haste argued that the nation confronted a time of grave economic peril and that even a day of delay could mean catastrophe for tens of thousands of ordinary Americans who were at risk.

If Members had read the bill before voting on it, they might have seen that the claims of immediate economic activity through infrastructure spending are less than the Administration indicated.

Time Is of the Essence? President Obama told an audience in Elkhart, Indiana:

We have inherited an economic crisis as deep and as dire as any since the Great Depression. Economists from across the spectrum have warned that if we don't act immediately, millions of more jobs will be lost. The national unemployment rates will approach double digits not just here in Elkhart, [but] all across the country. More people will lose their homes and their health care. And our nation will sink into a crisis that at some point we may be unable to reverse. So we can't afford to wait. We can't wait and see and hope for the best. We can't posture and bicker and resort to the same failed ideas that got us into this mess in the first place.¹

Well, chief among the failed ideas is the notion that a nation can spend its way to prosperity, despite abun-

dant evidence to the contrary. Massive government spending under the New Deal did not end the Great Depression of the 1930s, nor did an ambitious infrastructure program help the Japanese to avoid the "Lost Decade" in the 1990s, which is more accurately described as the Lost Two Decades. Nonetheless, a majority in Congress passed the stimulus bill in February 2009, and in early March, President Obama claimed that the act's transportation component alone will create or save 150,000 jobs in the first year.

This seems unlikely, however, given the leisurely pace the act allows for all of the infrastructure spending authorized in the legislation. As the language of the act reveals, some of the unemployed may have to wait until 2012, or even later, for their piece of this pie.

The Road to Recovery? The largest infrastructure component of the bill is the \$27.5 billion for highways, most of which will be distributed by existing formulas to the states, territories, and Indian tribes. The delay begins with the provision that states have up to one year to *obligate* the money, meaning only that they have to identify a project and set aside money for it. Still to be done might be the design and engineering work, request for bids, and the selection of the winning contractor.

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Under this new law, projects that should be given “priority” are those that can be done within a three-year timeframe, but the definition of the timeframe is never specified, in contrast to other limits in the bill that define it as beginning with the enactment of the act. However lax this definition might be, the three-year limit is merely a legislative preference, not a requirement, and there is no prohibition against approving projects that may take longer.

Funding in Transit. A new program is created to provide another \$1.5 billion for surface transportation programs that will be allocated as competitive grants. Since the program does not now exist, the U.S. Department of Transportation (USDOT) will need to draw up the rules and guidelines (90 days are allowed), time must be allowed for states to submit proposals (180 days), and USDOT must be given time to pick winners (up to one year after act’s enactment). Thus, the approval process can take up to a year for projects that are *expected*—but not required—to be completed within three years.

The \$1.1 billion for Grants-in-Aid for Airports allows the USDOT secretary up to one year to make grants “with priority given to those projects that demonstrate to his satisfaction their ability to be completed within two years.” Again, no requirement, just a suggestion.

Transit programs (buses, commuter rail, trolley cars, etc.) receive \$6.9 billion in capital assistance, and states and urban areas have up to one year to obligate the money, but that could be extended if certain problems are encountered. Reflecting the long lead time involved in many transit projects and the difficulties getting them approved, the new law includes no time limit on their completion.

High-Speed Rail on the Fast Track. One of the big surprises in the bill was the \$8 billion it commits to high-speed rail (HSR) corridors—the House bill included nothing for HSR, and the Senate bill included \$2 billion. Apparently the \$8 billion was added at the last minute in conference, allegedly at the request of President Obama, despite his com-

mitment to “transparency.” In 1991 legislation was enacted to permit the Federal Railroad Administration to designate 10 high speed rail corridors.² Because of the exceptionally high costs and limited benefits of HSR (the California proposal is optimistically estimated to cost \$42 billion for a system that will achieve surface speeds of up to one-fourth that common to commercial aviation), nothing has ever been done to get anything underway on any of these corridors—until now, that is.

The definition of HSR, as applied to those in European and Asian countries, is passenger rail service that *averages* more than 150 miles per hour, which can only be achieved on very expensive, dedicated lines that serve only HSR. Since no such lines exist in the U.S., any HSR would have to first acquire a right of way, buy the land in it, lay the very costly track, and buy the new equipment.

Under the circumstances, the \$8 billion is woefully short of what is needed to complete a single system, and the President and Congress know it, which is why the \$8 billion should be viewed as little more than an *amuse-bouche* to keep the nation’s influential rail hobbyists happy and content. Indeed, the law recognizes the folly of the aspiration by allowing the money also to be spent on intercity passenger rail service (Amtrak) and “congestion” grants. And the act includes no time limits on when these projects are to be completed; it states only that the money will remain available for three and one-half years.

Don’t Get Your Hopes Up. Several of the other infrastructure components of the act (public housing, for example) are also permitted a lengthy period of time to get underway and be completed. As a consequence, these costly components of the bill will do nothing to alleviate the immediate downward slide in economic activity—and little or nothing to support jobs during the current year.

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1. Press release, “Remarks by the President at Town Hall—Elkhart, Indiana,” the White House, February 9, 2009, at http://www.whitehouse.gov/the_press_office/Remarks-by-the-President-at-Town-Hall-Elkhart-Indiana (March 4, 2009).
2. U.S. Department of Transportation, Federal Railroad Administration, “High-Speed Rail Corridor Descriptions,” at <http://www.fra.dot.gov/us/printcontent/203> (March 4, 2009).