



Construction Industry Round Table

OpEd Piece

A force for positive change in the design / construction industry

Not All Spending is Equal

(February 17, 2009)

On February 17, 2009 the nation's economy was saved, or at least that is what we are suppose to believe, given the fact the largest bill in U.S. history was signed into law by President Obama with the intended purpose of spurring consumer spending and creating millions of jobs.

Of course, if merely expending federal government funds – now at historic levels – are all it takes to insure a strong vivacious economy then the U.S. should never again expect to see a recession or even a down turn. Considering the annual federal budget is at nearly three trillion dollars, even without the stimulus package and the financial markets “bailout,” economic *expansion* should be on everyone's lips.

But, all spending (and even more importantly what CBO marks as “costs”) are not equal – they do not have equal impacts, timelines, or even returns – and that is at the heart of what went wrong with the stimulus package.

When the leaders of an industry like the design and construction community, represented by the Construction Industry Round Table (CIRT) can go from near universal support of the original stimulus package with its proposed targeting of timely infrastructure expenditures and some measure of tax relief – to a nearly universal concern (84% responding to a CIRT poll that the final package that passed into law is off target and not timely) – something drastic has occurred.

It can be explained in one phrase: “H.R.1” – the massive, unfocused, spend-fest that defines every dollar expended with the same broad brush of being job creating and stimulating to the economy. Such a claim is untenable and unprincipled just by merely perusing the over 1,000 pages of text in the bill. A focused, timely, and restricted expenditure of U.S. taxpayers' money would not require 1,000 pages to explain. Beyond the costs (both spending and tax relief) are the policy and program changes that seek to fundamentally alter aspects of the U.S. economy and life. These provisions are “slipped” into the massive act, which no one read in its entirety before passing (never mind understood) – so as to avoid the scrutiny of an American public that is not likely to be supportive of the drastic proposals and/or their consequences.

Notwithstanding the litany of H.R.1 supporters that like to point to the justifiable and defensible “infrastructure projects” that will be funded by the stimulus package (which even the fiscally conservative *IBD* editorial noted “almost everyone agrees a little timely infrastructure might help,”) – in a best case scenario those dollars represent only about 19 percent of the overall \$787 billion in cost for the bill (and about 30 percent of the spending side). A healthy amount for certain – however, only a fraction of it will be spent in a timely manner during the upcoming construction season in 2009. Given this lack of focus and timeliness the expenditures, while welcome, will not have nearly the positive impact hoped for in sopping-up excess capacity and putting people to work in the industry. [Construction industry studies vary as to the exact impact expenditures have on employment, but a USDOT 2008 update entitled: “*Employment Impacts of Highway Infrastructure Investment*” revising earlier reports puts the latest estimate at 34,779 jobs per billion dollars in new construction].

Initial design/construction industry support was very vocal and strong based on the favorable factors going into the debate. On November 11, 2008 the CIRT Board of Directors adopted a resolution expressing its strong support for a new stimulus package that focuses its expenditures on infrastructure needs across the country as a means to meet the twin goals of increasing economic activity as well as creating meaningful jobs. In addition, the Council voiced its concerns to the Obama transition team “that every effort should be made to constrain, if not eliminate, extraneous issues and provisions from being added-on to the package.” Moreover, the Round Table expressed its “strong preference . . . for maximum flexibility and decentralized decision-making in order to move infrastructure related funds quickly into the system to achieve maximum economic activity and job creation.”

In the end, what we saw pass was a typical Washington, DC bill – with special interest and inside deals to incorporate provisions and expenditures that would never be able to stand the “light of day” or the scrutiny of the American people. Contrary to this display, the design/construction community can stand tall: we were open in our requests, we were often cited for worthy expenditures, and in the end the portion of the money spent on infrastructure needs will be the most likely to bring true economic return to the nation. Would if they could say that about the rest of the package's costs!