

Public Works Projects Alone Cannot Rebuild and Restore the Job Market



BY PAUL V. TYAHLA
VICE PRESIDENT, GOVERNMENT AFFAIRS & COMMUNICATIONS

BAD NEWS EVERYONE: THERE IS no Nigerian businessman who wants to share his \$10 million inheritance with you; there is also no pill that drops pounds without diet and exercise; and that modeling company is not

actually interested in you. Yet sadly, lobbyist and political scams persist that should be even less believable.

It is becoming difficult to attend a Trenton hearing without listening to statistics about the impact construction has on job creation. Some of those numbers are based on sound science and economics while others miss the mark. If we as a state are going to have a rational discussion about the improvements needed to our infrastructure and ways to stimulate the economy (if that is even within government's capability), then it is important to bust some of the myths spoken in the State House and echoed in newspapers.

One of the figures most often quoted by lobbyists is that each billion dollars in federal spending equals the creation of about 47,000 jobs. That claim, they purport, is supported by the Federal Department of Transportation (DOT). It is not, and the DOT has spent valuable time trying to clarify the statement.

First, what was actually said is that it takes 47,000 employees to build and support \$1 billion worth of federal infrastructure projects. They never claimed that 47,000 jobs are "created." Furthermore, that study was done in 1997, and the rising costs of asphalt, steel and concrete mean \$1 billion does not go as far as it used to. Plus, here in New Jersey, we have project labor agreements (PLAs). The PLAs are government requirements that projects be constructed while paying workers the prevailing union wage. This means that whatever labor money is estimated into the \$1 billion figure must now be spread across fewer workers.

Most of this should be self-evident. After all, in October 2008 there were 274,000 unemployed New Jerseyans.

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Does anyone honestly believe that unemployment would fall to zero if the government simply spent another \$7 billion on public works projects? The School Construction Corporation is an example of how it is political speak and not actual math which is behind this kind of thinking.

The other problem with assuming public works projects will jump-start job creation is that the government money is not delivered by the Tooth Fairy. It must be taken from somewhere. The government's choices are to either take it from the private sector or go into debt, which takes it from the private sector in the future.

It is what economist Frederic Bastiat referred to in his pamphlet, *What Is Seen and What Is Not Seen*, where he says, "There is only one difference between a bad economist and a good one: the bad economist confines himself to the visible effect; the good economist takes into account both the effect that can be seen and those effects that must be foreseen." Without remembering this, you could argue a hurricane is good for the economy because it creates the jobs necessary to clean up and rebuild.

This column does not oppose infrastructure spending. There are projects necessary to the movement of people and goods within the state. This includes widening parts of the New Jersey Turnpike and the Garden State Parkway, constructing a new rail tunnel beneath the Hudson River and some school construction money. In fact, spending on proper infrastructure projects is one of the best investments a government can make. However, those projects need to be defended on their own merits and based on a fair and thorough cost-benefit analysis.

In economics, two negatives do not equal a positive. Poor spending choices made during bad economic times do not suddenly become good spending choices. Job creation and public works spending are not wholly interchangeable terms.

If something is worthy of being built, then its advocates should not need to camouflage it with a faux economic argument. To do so shows a lack of confidence—or worse, a reliance on politics instead of real numbers. ■