

CROSS-SECTORAL

Barack Obama's infrastructure policies for the United States

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The new president of the United States, Barack Obama, has set his policies on infrastructures. To carry them out, he will resort mostly to economics incentives and, to a lesser extent, regulatory constraints.

Barack Obama, having become the president of the United States (US), with Joe Biden as the vice-president, will start to implement his infrastructure policies. In 2008, in a speech to the US Conference of Mayors, he declared: 'Now is not the time for small plans. Now is the time for bold action to rebuild and renew America.' And, as a reader of American history, he continued: 'Two hundred years ago, in 1808, Thomas Jefferson oversaw an infrastructure plan that envisioned the Homestead Act, the transcontinental railroads and the Erie Canal. One hundred years later, in 1908, Teddy Roosevelt called together leaders from business and government to develop a plan for a 20th century infrastructure'. Turning towards the present, he finally concluded: 'Today, in 2008, it falls on us to take up this call again' (Obama 2008c).

What are Obama's policies for US infrastructures? So far, in the newspapers and magazines, journalists briefly highlighted the salient components of the presidential candidate's policies, by picking out differences that electors needed to know to cast their vote (for example, Sofge 2008). In this article, I deal with Obama's infrastructure policies and make an analysis thereof. As a general rule, governments have access to a range of policy options: they can own infrastructure; enact laws and regulation; grant loans to finance projects; and they can change the mission of departments, companies and agencies that provide infrastructure services. Here I argue that to carry out his policies on infrastruc-

tures, Obama resort mostly to economic incentives and, to a lesser extent, regulatory constraints; and he is chiefly concerned with transportation, energy and water.

Obama's infrastructure policies are scattered throughout several documents. The presidential programme of the Democratic Party, *Blueprint for Change* (Obama for America 2008a), contains policy statements on infrastructures, drawn up with ideas coming from Obama, Biden, members of the Democratic Party, representatives at the Congress and the Senate and university professors. Obama also released detailed fact sheets on questions pertaining to energy and transportation. Finally he has written a book, *The Audacity of Hope* (2006), in which he devotes some passages to infrastructures.

Infrastructures and the Federal government

Obama's options are constrained by the role of the US Federal government. The government has liberalised and deregulated telecommunication and energy, while it keeps ownership of national roads, waterways and postal services. It maintains important activities in transportation and energy, for which it has two corresponding departments. In addition, it has several regulatory agencies, for example the Federal Communication Commission, independent agencies, such as the United States Postal Service, and government-owned corporation, such as the National Railroad Passenger Corporation.

The Federal government spends hundreds

of billions of dollars every year on infrastructures. The total investment represents more than 2 percent of the total gross domestic product (Congressional Budget Office 2007). Since 1956, in all levels of government, the expenditures on infrastructures have grown by a factor of 2.3 percent a year. The Federal government spent approximately \$75 billion a year on infrastructures. That amount had represented, up until the mid-1960s, an average of 10 percent of non-defence expenditures. However, since the last four decades, the average has fluctuated between 3.5 and 4 percent. Therefore the Federal government has historically diminished its spending on infrastructures.

Most infrastructures, as a consequence, are crumbling. The American Society of Civil Engineers ranked them with the letter D, which indicates a problematic failure (Reid 2008). To bring infrastructures up to par, it would require approximately \$1.6 trillion of investment over a five year period. The issues of safety, maintenance and capacity come to the fore as a justification to this amount, and examples abound in every domain to illustrate the situation: inspectors find bridges with deficient structures and roads with an overcapacity of traffic; air controllers report repetitive flight delays; and administrators of public mass transit face the problem of congestion at peak hours. One of the challenges of the Federal government consists of finding innovative ways of financing infrastructures.

Infrastructures in the agenda

Obama thinks that the Federal government should continue to finance infrastructures. Idealistic and liberal, he does not want to make compromises on fundamental shared

values, 'the cornerstone of any meaningful debate about budget, projects, regulations and policies' (Obama 2006: 52–3). In this respect, he believes in the classical liberal values of free market, competition and entrepreneurship; but, to counterbalance their negative effects, he critiques the conservative's laissez-faire. He thinks that the state should intervene in the economy to provide opportunities to all, and one method consists of investing in infrastructures.

Obama has planned to create a National Infrastructure Reinvestment bank

The contemporary system of free-market, according to Obama, has resulted from a trial and error process. The 'government has been called upon [...] to build the infrastructure, train the workforce, and otherwise lay the foundation necessary for economic growth.' (Obama 2006: 151). Obama illustrates this claim with three examples. At the beginning of the Republic, Alexander Hamilton, the Secretary of the Treasury, thought that the government should facilitate the transition from an agrarian to an industrial economy. Later on, Abraham Lincoln, the first Republican president, made investments in infrastructures by aiding, through the emission of government bonds and land grants, the construction of the first transcontinental railway. And, during the economic crisis of the 1930s, president Franklin D. Roosevelt, who came up with the policy of the New Deal, fought back the economic depression by investing massively in infrastructure projects.

Obama, did not put infrastructures on the top of his political agenda, but he has mingled them with other priorities. Firstly the global financial crisis, which sprung out from the subprime mortgage crisis, calls for solutions by which the government do a massive recapitalisation of banks, but also do makes massive investments in infrastructures programmes, to artificially create jobs and stimulate the demand. Secondly, to finance the wars in Iraq and Afghanistan, the Congress has approved so far \$830 billion, according to the Congressional Research Services. Obama

wants to terminate these wars and to direct the spending on other things such as infrastructures. And, in this respect, he has conceived policies on transportation, energy and water.

Safe and reliable transportation

Obama will invest in transportation, particularly in roads and bridges, to enhance their reliability and safety. The transportation policy will attempt to increase reliability by matching roads capacity with the growing traffic demand. At the same time, it will respond to the decaying state of infrastructures by financing maintenance and repairs. This policy reacts to the catastrophic collapse of the interstate bridge across the Mississippi River in Minneapolis, Minnesota, in 2007. Additionally, the policy will introduce or change measures for the protection of infrastructures against malicious attacks and threats from natural disasters. Apart from roads and bridges, the policy deals with harbours, bridges, airways and railways.

Obama has planned to create a National Infrastructure Reinvestment Bank, an independent government entity that will provide economic incentives in transportation. The Federal government will grant the Bank with a sum of \$60 billions, to be spent over a decade. It has been estimated that the bank will spur two million jobs and \$35 billions of economic activities per year. In 2007, Chris Dodd and Chuck Hagen, representatives from Democrat and Republican at the Congress, introduced an act to create the bank. The proposition has been enthusiastically endorsed by organisations such as the American Society of Civil Engineers, the National Construction Alliance and Goldman Sachs, which makes colossal investments in infrastructures.

Next to roads and bridges, Obama wants to support Amtrak, a government-owned corporation that provides inter-city train services. While he was a senator, he co-sponsored the introduction of the Passenger Rail Investment and Improvement Act of 2008, in which provisions are made to long-term funding to Amtrak. In addition Biden, who has championed Amtrak's cause in his voting record at the Senate, will continue to support Amtrak. At the level of regions and

cities, Obama's transportation policy will finance mass public transportation programmes, by notably making sure that state, regional and city governments coordinate their transportation plans.

In the realms of airways and airports, Obama wants to solve the problems related to congestion and flight delays that result from a mismanaged air traffic capacity. The Federal Aviation Administration will have also to set up new employment relationships with the air traffic controllers by revising the hierarchy. Finally the administration will bring up the issue of security through severe regulation of airport security. The department of Homeland Security will have to plan the protection of critical infrastructures that includes airports. Instead of applying strict security measures everywhere, it should concentrate on high-risk targets.

Energy, geopolitics and the environment

Obama tackles energy from the angle of geopolitics. More precisely, he wants to dramatically reduce the dependency from foreign source of oil within a decade. He stresses the vulnerability from the Middle East and Venezuela, which supply oil to the US. To achieve independence, his first solution consists of promoting the supply of domestic sources of energy: private companies should maximise the exploitation of the US oil and natural gas fields. His second solution consists of facilitating a transition towards the use of renewable sources of energy. Obama thinks of solar, wind, biodiesel and thermal energy, which can come about through investment in further research and development.

Another reason that justifies investments in renewable sources of energy, according to Obama, has to do with the environment. Contrary to his forerunner, George W. Bush, who dismissed the issue, Obama takes climate change that results from human activity very seriously. Indeed he wants to reduce emissions of carbon dioxide 80 percent of 1990 level by 2050. This goal will be achieved through a market-based mechanism of cap-and-trade that provides economic incentives for firms to reduce their direct polluting emissions. As in Europe, where it has been implemented, it will auction pollu-

tion credits, the revenues of which will be used to finance renewable sources of energy.

In addition, Obama has planned to introduce two other measures based on economic incentives, this time through investment and taxation. He will prompt the creation of a venture capital fund for the deployment of clean energy, upon the motive that it will stimulate the creation of new jobs. The fund will facilitate the commercialisation of innovative technologies to foster their adoption by the industry. Parallel to this, the Federal government will invest, during the forthcoming decade, in research and development on renewable energies. And it will implement a tax credit to tax-payers to facilitate the adoption of new sources of energy in the residential sector.

Obama will create a venture capital fund to finance the development of clean energy

Several other policy goals related to energy will be achieved through regulatory constraints. With the aim of diversifying sources, Obama will request the energy portfolio to be composed of 25 percent of renewable energy by 2025. He will set new standards to prompt US automakers to change their products: not only motors will conform to stringent fuel consumption efficiency; but they will have the flexibility to run on various fuels. In addition, Obama will introduce new standards to suppliers, who will have to reduce the percentage of carbon out of the fuels. Finally, to address the residential sector, standards will be set to ensure that buildings are energy-efficient.

Dam, levees and flood protection

Obama is set to increase the security and reliability of dam and levees. Indeed several Americans have kept a traumatic memory of the tremendous floods that damaged the city of New Orleans, in 2005, in the course of hurricane Katrina. Obama, then a senator, co-sponsored several emergency acts and the creation of a commission to respond to the natural catastrophe. Learning from mistakes, his policy reacts to Bush's administration mismanagement, which leads to the dismissal

of Michael Brown, who was then director of the Federal Emergency Management Agency (FEMA).

In the short run, the policy stresses the importance of ensuring the full resilience of the system of water protection. If several credit lines were voted to recover from the catastrophe, only 40 percent of the amount has been allocated so far by the former administration. Obama wants that FEMA speed up the allocation of \$6.3 billion for the reconstruction of infrastructures that were destroyed by the hurricane. In the long run, Obama's policy stands on the side of anticipation. It recommends strengthening the levees to reduce New Orleans' vulnerability to flooding. The par is high. By 2011 the south coast should be protected against storms of magnitude 5 or, in terms of probability, storms that have chance of occurring once every century.

Moreover, in continuation with his actions after the hurricane, Obama wants to revise the plans for civil protection in case of natural catastrophe. For instance, FEMA's director should be a professional whose appointment does not fall under political influence. He will have to improve disaster planning by changing the method by which the US government agencies coordinate their response to emergency situations. Finally the policy will lead to the creation of two new institutions, the National Response Plan, to facilitate the coordination of action, and the National Catastrophe Reserve, to insure damages that private companies do not cover.

Conclusion

When, during the presidential campaign, Barack Obama conceived his policies for US infrastructures, he resorted mostly to economic incentives. Indeed most of the policy statements about infrastructure took the form of either allocating an amount to a particular measure or to create a new financial institution such as a bank and a fund whose mission pertain to infrastructures. This results most probably from the fact that the Federal government already plays an important role in the financing of infrastructures. And it is being reinforced by Obama's political economic philosophy that stresses the role of the federal government in financing infrastruc-

ture to lay down the basic foundations of economic activities. The other aspect of Obama's policies is that they use regulatory constraints, seen especially by the setting of new industrial standards and by targeting goals to be achieved in the future.

The implementation of Obama's policies will depend of several factors that pertain to the functioning of American political institutions. Obama will make investments in infrastructures to respond quickly to the economic crisis. Immediate action may take precedence over long-term plans that infrastructures usually requires. While Democrats actually control the Congress, they have to share the balance of power with Republicans at the Senate. This distribution of powers is an advantage to Obama, for the Congress holds the power to authorise expenditures. When policies will be implemented, complications may arise from the complex arrangements between the Federal government, states and cities. And, although Obama wants to neutralise them, several lobby groups exert constant pressure in Washington to influence the energy and transportation policies. We will see how far Obama, to use his own expression, will manage to take up the historical call for infrastructures.

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