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Building more roads won't help fix America's economy

Opinion by Charles Marohn for CNN Business Perspectives

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As America seeks to return to a growth economy after the recession, there will very likely be calls for aggressive investments in roads, bridges and other transportation infrastructure as a way to quickly create jobs and spur economic growth. Democratic presidential candidate Joe Biden has proposed a $1.3 trillion investment in infrastructure while President Donald Trump has repeatedly expressed support for a large infrastructure spending bill.

But state and local governments have long struggled to maintain their road networks, even in the best of times. There is a smarter way forward than simply building more roads and bridges that state and local governments can't afford to properly maintain. Instead, we need to focus on preserving what we have already built, surrounding that commitment with strategies to get higher returns out of these existing investments.

Roads were in rough shape pre-pandemic

Programs to build new transportation systems have become broadly popular. The interstates were completed decades ago, yet we continue to expand them, along with vast networks of local roads. So-called "fix it first" legislation, which requires transportation departments to certify that they can maintain what they have built, has failed to dampen demand for new lanes, interchanges and bridges.

While the federal government has been generous in funding expansion, the responsibility for maintenance mostly falls to state and local governments. The more we build, the more we must maintain. All this infrastructure becomes an endless obligation local taxpayers inherit, regardless of its value or productivity.

Cities and states are now overwhelmed with maintenance demands, a backlog of promises they lack the financial capacity to fulfill. To generate the revenue needed to maintain all those past investments, many suggest that we need to stimulate economic growth through even further expansion. But this is a misguided mentality.

Less driving means less transportation money

Even before the pandemic, Congress demonstrated reluctance to raise the gas tax to pay for transportation investments, but it was willing to borrow money to close annual deficits in the Highway Trust Fund, which collects and distributes federal gas tax revenues. State and local governments have also been willing to borrow enormous sums from the municipal bond market for transportation but, unlike the federal government, they are forced to service that debt with actual tax receipts to maintain a balanced budget.

It's finally time to spend money on infrastructure

For example, a state like New Jersey has one of the country's highest gas taxes, yet it typically spends nearly all of the revenue it collects on debt service from prior transportation projects. Texas tapped its rainy-day fund in 2014, and the following year redirected billions from sales tax revenues, all for transportation.

It's still not enough. Across the country, local government debt levels are near all-time highs.

Already burdened with massive maintenance backlogs and claims on future cash flows, state and local governments are now watching the pandemic strip them of their ability to respond to infrastructure issues. Gas tax receipts are down as people drive less. Sales tax receipts are down as people spend less. Residential mortgage delinquencies are up, and as work-from-home trends undermine the commercial real estate market, these two factors have raised doubts about future property tax receipts.

At the same time cities and states are reaching the breaking point on road maintenance, the money they were counting on is not there.

Transportation spending is not the key to economic recovery

Even if cities and states can get funding from the federal government for more frontage roads, interchanges, bridges and lane miles, is that really the best approach? When local governments don't maintain what they already have, can they credibly justify building more?

Instead of pursuing economic growth through system expansion, recovery must be based on a firm commitment to maintaining what has already been built and squeezing higher returns out of these existing infrastructure investments. This will require a nuanced and hyper-local approach to future transportation spending, one where local governments take their cue from the urgent needs of residents, instead of the latest popular infrastructure investment the federal government is funding.

The city of Muskegon, Michigan, for example, used some strategically placed storage sheds to connect their farmer's market to the downtown while creating entrepreneurial opportunities within their community. In Memphis, Tennessee, the successful transformation of a blighted block began with some paint, some benches and a few traffic cones. Cities across North America are reconfiguring streets for biking and walking, shifting parking spaces to street seating and giving their residents more of a say in how public infrastructure is used. These are all productive ways to add value to underutilized public investments.

The federal government can enable this shift by giving cities and states more authority, flexibility and responsibility. The infrastructure investments with the highest returns today are small. They look more like planting trees along streets and connecting sidewalks instead of funding another generation of interstate-scale projects like more highway lanes, interchanges and frontage roads. These small investments are the work of local mayors and city councils.

Bottom-up investments have less risk and higher financial returns than the federally guided projects of the past. They will provide Americans with a higher quality of life and a more broadly shared prosperity with systems that are more empowering, responsive and just than our current top-down approach.