Spending Other People's Money: What are the Rules?

Economics

- What?

- How?

- For Who?

Capitalism allows complex system of production and consumption

- Accommodates different individual taste with at least some choice

- Applies discipline regarding quality and cost through destructive competition

- Accommodates investment, technology, and change over time

Capitalism assumes:

- Selfish behavior

- Rule of law, reliable enforcement

- Distribution of wealth and income acceptable

- Reasonable full employment

What does market NOT deal with?

- Public goods (difficult to exclude free riders)

- External costs and benefits

- Equity

- Structural unemployment

Role of Government

- Tax and spend

- Regulate

- Redistribute wealth and income

- Provide universal opportunity

Institutional Structure

- National (federal)

- Regional (state)

- Local (city, town, county)

Annual Appropriation

- Administration and finance; OMB / Ways and Means

- Same as last year plus inflation

Capital Investment

- Bond authorization; legislative and referendum

- Theory

- Practical politics

Need for Competency

- Agency structure

- Legislative committee

Changing Need for Resources

- Increase revenue within budget vs. increase tax

- Introduce technology; reduce cost; reduce labor

- Contract out; lower labor cost

- No destructive competition; low innovation; low investment

- Constituency building process – costs are benefits; surrogate customers = producers

Taxes

- 51/49 vs. Civic enterprise government
- $(.9)^6 < .5$
- Aesop's fable of the body
- Joseph and the Pharaoh's Dream
- US Revolution/Shay's Rebellion; Whiskey Rebellion
- Political will
- Louisiana Purchase
- Seward's Icebox
- Vision vs. White Elephant
- Dedicated fund
- Externality vs. distrust

Taxes continued

- Progressive tax
  - Progressive
  - Regressive
  - Proportional
  - Sales tax
  - Loaf of bread
- Business improvement district
- Museums
- Fare recovery ratio

Program Development

- Political will
  - Short term benefits
  - Long term benefits

- New has few supporters

- Requires different look at silos

- Generate new structure

Program Implementation

- Maintain political will

- Use mix of technical and distributive criteria

Silos

- Highway categories
- Highway vs. transit (public $)
- Capital vs. operating
- Private payments - good and bad
- Highway transit – apples/oranges
- Public / private (auto cost)
- Highway transit

Rules within silos
Rules across silos

Socio-Economics Evaluation

"Trade" and economic efficiency

Equity, access to opportunity

Industrial policy

- rail network
- interstate highway & trucking
- suburbanization and land availability
- job generation (costs and benefits)
- project evaluation
  - benefit/cost
  - NEPA
  - cost effectiveness

Financial Evaluation

- Ways and means

- Bonding

- Federal grants

- Loans

- User finance

- Land use contributions

- EIR and infrastructure adequacy

Federal Role

- Philosophical, trade, etc.

- Job policy, constituencies

- Peanut butter (Nutella, Marmite, Dulce de leche)

- Peanut butter avoidance

- Categories

- Flexibility

Project Purposes and Origins

- Capacity for service quality

- Capacity for quantity, growth

- Access to intermodal facilities, ports

- Access to land use

- Investments to reduce operations costs

- Patronage (municipal, other)

Operations & Maintenance
vs. Capital

- Reasons to fund capital differently

- Distortions from funding capital differently

Use of Models

- CTPS

- Conservation Law Foundation

Programming

- Bridges across the Nile

- Interstate highway system

- MPO and flexibility
  - long-range plan
  - transportation improvement plan
  - annual element

- Fiscal constraint
  - over-programming
  - batching
  - instructions

- NEPA and lead time

Project Purposes and Origins

Local match: who decides?

- metropolitan planning organization: who really decides?

- surrogate customers

- municipalities

- land owners, developers, builders

- Jack Sprat & wife

- CTPS: model doesn't matter

- CLF: model does matter