## Government: problem or panacea?

As the presidential race gets under way, candidates from both parties are being asked to articulate their policies and positions on a range of issues, and to tell the American people what role government should play. Traditional roles have become confused: Republicans have become borrowers and spenders, while Democrats speak of the budget surplus only six years ago.

Health care has emerged as a major issue in the election on two fronts — access to it for the population, and the cost of providing it. Beyond basic questions of health and social equality, health-care concerns are economic. The Big Three U.S. automakers are at a serious cost disadvantage compared to other U.S. manufacturers that do not have legacy health and pension plans — or to overseas competition, where the government provides these protections.

Things might have been different. In the 1950 labor negotiations, United Auto Workers President Walter Reuther believed the best way to provide health insurance (and pensions) was to spread the costs and risks over the largest population possible. GM President Charlie Wilson believed such “collectivization” was a threat to the free market, and felt GM needed to assume the risks itself to preserve autonomy. While Reuther acquiesced to Wilson’s position in order to realize the benefits, it is clear that Reuther was right — there was a role for government, which the automotive industry is belatedly seeking.

This history should resonate with those of us in the transportation industry where government’s role providing necessary infrastructure is in question. According to the American Society of Civil Engineers, aging or overburdened infrastructure threatens the U.S. economy, and an estimated $1.6 trillion is needed over a five-year period to return the nation’s infrastructure back to a good condition. Such an investment will only restore what we have. Even more is necessary to accommodate growth.

Transportation industry observers often look overseas for best practices, but they sometimes overlook key details. Consider China. Through a series of public-private partnerships, port capacity in China is growing at an astronomical rate to keep pace with growth in export-driven trade.

China’s showpiece is the Port of Yangshan, off the coast of Shanghai. In approximately five years, a vision became the reality of a new 1.4-square-mile island and a 20-mile bridge linking Yangshan to mainland China. Many see this as proof we have lost our way in this country, as environmental (and other) obstacles interminably extend similar projects.

To some, though, it is proof that industrial policy is an effective tool of government to advance the overall benefits of a society. China’s government has decided which ports to develop — and for which business segments. As Yangshan came on line, the government dictated which trade lanes would be relocated from Shanghai. Ocean carriers had no choice but to comply with these directives.

Although that discussion is likely to involve government, perhaps we need to agree first on government’s role. Although European short-sea shipping is often cited as a way to offset the problems of highway congestion, this example ignores the strong hand of the European Union’s industrial policy.

The EU supports rail as a preferred mode of passenger transportation. Freight rail operations are curtailed in favor of passenger, and generally, rail freight moves only over short distances and at night. The EU also seeks to deter truck traffic on several key corridors by encouraging barge, “the highway of the seas.”

Still, good intentions are not enough. The EU subsidizes barge movement (e.g., through its Marco Polo program). This industrial policy is not necessarily an arbitrary market rearrangement. Instead, it recognizes that negative economic externalities (i.e., pollution, safety and congestion) are not included in trucking’s cost factors. The subsidy to barge offsets this market imbalance.

The continued success of the U.S. transportation network is paramount to our nation’s security and economic success. This requires leadership that is able — and willing — to address tough questions in a new way. Like infrastructure and health care, these transportation problems are critical due to lack of attention over time. While we all seek a solution that involves government, perhaps we need to agree first on government’s role.

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