boring is initiated for a specific project, with the envisioned revenue stream committed to repayment.

As an asset-heavy, network-built business, transportation is constrained by infrastructure shortfalls, which ultimately increase costs throughout the economy. However, our industry is not alone. Problems exist across public and private industries.

According to the Environmental Protection Agency, a major water line bursts every two minutes somewhere, and thousands of systems are too old to function properly. Alternative electricity sources are constrained by the inability of the grid to efficiently transmit power. Devices such as the iPhone threaten to overwhelm our wireless networks. The widespread blackout in electrical service that hit a large swath of North America in 2003 was a wakeup call about the state of our power infrastructure.

All of these infrastructure shortfalls affect our nation’s current and future economic health.

Budget deficits, and the level of debt necessary to support them, have greatly constrained the enthusiasm for more debt. Politically toxic, legislative gridlock rules in an environment where one side refuses to consider tax increases and the other considers entitlements untouchable.

The envisioned deficit for the upcoming fiscal year — 11 percent of GDP — is an eye-opener.

Budget shortfalls are handled differently in the public and private sectors. Although the government spends more than it earns, it’s important to remember this calculation is hardly the same as what we would understand in the private sector. It is not in accordance with generally accepted accounting principles. In the private sector, a $10 billion capital project is financed on the balance sheet, with depreciation expense spread over the useful life of the asset; the public sector classifies the entire amount as a current expense.

In fact, Richard Rahn of the Cato Institute has explained that, as a result of this accounting approach, “the U.S. government has many trillions of dollars of assets, which may exceed the value of the debt.” Rahn uses “may” because the government has no accurate balance sheet of what it owns and what it owes.

Douglass Elmendorf, director of the Congressional Budget Office, summarized the problem upon the release of the fiscal 2011 budget: “The country faces a fundamental disconnect between the services that people expect the government to provide ... and the tax revenues that people are willing to send to the government to finance those services.”

Surface transportation reauthorization has been trapped in this netherworld. SAFETEA-LU expired on Sept. 30, 2009. Although comprehensive legislation was actually ready for review, reauthorization has gone through a series of extensions as Congress struggles with how to fund it. The Obama administration’s decision to freeze all non-discretionary spending after fiscal 2011 makes funding reauthorization even more problematic.

Oddly enough, Elmendorf’s “fundamental disconnect” is absent. The freight transportation industry is reconciled to an increase in fuel taxes (as long as the funds “stay” in transportation). The obstacle is the unwillingness of political leaders to raise taxes in the current economic situation. With such a posture, our nation’s leaders ignore the truth that inefficiency created by infrastructure is a hidden tax imposed on our entire economy.