Spring 2021

BUILD BACK BETTER:
SMARTER INVESTMENT DECISION MAKING

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The Biden administration has proposed a $2.3 trillion infrastructure package as part of a broad program of investments to BUILD BACK BETTER.

In this article we outline how this spending can enhance economic productivity, improve social and regional equity, protect the environment, AND deliver a strong return on investment.

"Build back better" has become a mantra of our time. Across the globe, governments are planning for COVID-19 recovery with economic strategies and investment plans that expedite our transition to a clean energy world and directly address decades (even centuries) of unequal access to opportunity through a more socially inclusive economy.

These ambitious but worthy goals are outlined in Biden's **Build Back Better** package, a three-part initiative which includes:

- The American Rescue Plan, providing relief to Americans hit by the COVID-19 pandemic (already passed into law on March 11, 2021)
- A wide-ranging, infrastructure-focused American Jobs Plan (introduced on March 31, 2021)
- The American Families Plan (coming soon)

A GOLDEN OPPORTUNITY TO ADDRESS LONG-TERM CHALLENGES

Now, in front of a once-in-a-generation opportunity, the question we need to address is: **if we're going to invest trillions of dollars, how do we do it so that it puts our communities on a better, more socially-sustainable path?** First and foremost, we need projects that deliver for the long-term in an equitable way. But at the same time, we need to ensure that the job and business impacts generated in the process address the real long-term challenges we face.

In short, we think it comes down to smarter investment decision-making and thoughtful implementation of infrastructure funding by:

- **Leveraging lessons learned** from past major investment initiatives, such as ARRA, to choose projects wisely and deliver them efficiently and cost-effectively
- **Assessing a wider range of benefits** when evaluating options
- **Using the latest tools** and thinking about how the triple bottom line—economy, society and environment—work together to provide long-term economic opportunities

Let's take a look at these one-by-one…

LESSONS FROM THE GREAT RECESSION

The last major flurry of recovery investment came as a response to the 2008/2009 Great Recession, in the form of the American Recovery and Reinvestment Act (ARRA). When introduced, ARRA had lofty goals to be, first and foremost, an economic stimulus jolt to a struggling economy, helping to limit unemployment for US workers. But it also strove to invest in transportation and other forms of infrastructure for longer-term benefit.

The key lesson from that time is that **accelerating infrastructure investments into "shovel ready" projects is easier said than done**, and can lead to poor strategic decisions. In many cases, the requirements to spend the money quickly led state departments of transportation to do what was convenient rather than what was strategic for longer-term gain.

ASSESSING A WIDER RANGE OF BENEFITS WHEN EVALUATING INVESTMENT OPTIONS

Implicit as part of ARRA was the notion of examining the triple bottom line impacts of investment on the **economy, society, and environment**. A good triple bottom line assessment helps decision-makers consider the full range of benefits and costs (including those that don't typically have prices) to see where costs are borne and who ultimately enjoys the benefits.

In the rush to make an impact with ARRA investments, formal appraisal was limited. As such, forward-thinking issues in the environmental (clean energy) and social (diversity, equity, and inclusion) realms, while included in some policy language, took a backseat to the need to expedite spending into "shovel ready" projects.

However, with part one of Biden's agenda (the America Rescue Plan) already underway—and economic hopes of recovery from the COVID-19 pandemic soaring—there should be less urgency in the speed of spending and more attention paid to the potential for sustained mid- to long-term benefits of infrastructure investment, and to the supporting initiatives needed to increase the chance of success.

The picture so far is positive: the triple bottom line priorities are well established, and are front and center in Biden's infrastructure investment plan. The language being used in official documents and media coverage directly links this spending plan to a much broader agenda, with the US working towards goals such as a clean energy economy, with major investment into areas like electric vehicles, charging stations, and rural broadband. This is clearly not an infrastructure plan intent only on fixing roads and bridges; instead, it represents a structural change in the status quo with a much more holistic, forward-looking idea of infrastructure. These new areas of emphasis provide opportunities for innovative approaches and economic analysis tools.

In addition to boosting investment in electric vehicle infrastructure and overhauling our electric grid system, the Biden infrastructure plan also aims to create well-paying jobs for a wide range of workers who have so far been left behind in today's knowledge economy. This could address economic equality objectives for essential home care workers, for example, and revive union jobs with benefits.

These are lofty and admirable goals, but they do not stand alone: this agenda aims to achieve its goals **while ensuring that government spending is targeted at the best projects and financed appropriately**—and it won't be easy. Federal, state, regional, and local decision-makers will need the best tools (and thinkers) at their disposal to make a lasting difference in their communities.

HOW ECONOMIC TOOLS AND STRATEGIC THINKING CAN HELP

To achieve the ideals of this proposed spending opportunity, policy-makers will need to be supported by thinking and tools that encompass everything we know to be important, and agencies will need to measure impacts at the various timescales and geographies across which they occur.

Specifically, we advise:

- **Being sensitive to a wide range of social and environmental impacts** and the distribution of those impacts to enhance the use of benefit-cost analysis
- **Applying economic models with a clear logic framework** that quantifies the interactions between the economy, society and the environment
- **Greater use of scenario analysis** to examine alternative policy packages to better understand dynamic relationships under conditions of uncertainty
- **Better consideration and identification of distributional effects,** both spatially and on segments of the population
- **Thoughtful consideration of innovative financing** and operations to best deliver cost-effective infrastructure

Tools like benefit-cost analysis (BCA) can be applied to a wide range of projects, and can help prioritize funding programs through a competitive process. However, to be truly effective, the analysis must be more than just a formality.

The established tools and approaches need to be reviewed to ensure they are sufficient to address the questions that are now "front and center" in the debate. They also need to be applied with care and customized to local conditions. For example, it is important to recognize where marginal effects of investments will differ from general (national) averages.

Building back better and smarter means addressing the challenges faced by the economy, society, and the environment simultaneously. The appropriate response will differ greatly from one place to another, reflecting local strengths, challenges, and assets—but the above thinking will help regardless of place.

Keep an eye out for our next blog, which will identify a number of themes decision-makers should reflect on when developing strategies to "build back better" and smarter.

To explore ideas for building back better, contact us today & follow us on Twitter/LinkedIn to stay informed

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