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Invest in Public and Private Infrastructure Right Now.

(Bloomberg Opinion) — As part of their plans to support economic recovery from the Covid-19 crisis, both the White House and congressional Democrats are working on major infrastructure packages. This makes good sense, even though infrastructure programs used as stimulus have an uneven history, because at the moment interest rates are near rock bottom. To get the most bang for the buck, however, policymakers should support private as well as public infrastructure.

Shovel-ready projects are an economist's textbook example of effective stimulus. John Maynard Keynes once quipped that the UK could stimulate its way out of the Great Depression by burying bottles of cash in abandoned mineshafts, so that private businesses would pay workers to dig them up again.

Keynes was mocking the fundamental uselessness of gold mining, and suggesting that the government find more productive ways to jump-start the economy. In the real world, however, projects aren't so easy to arrange. Upgrades to public infrastructure can take years to get through the planning process, and useful shovel-ready projects are few and far between.

Nonetheless, a combined public and private push makes economic sense for several reasons. First, those long-term interest rates make public infrastructure a bargain. The government can borrow money for 30 years at a negative real rate of interest. In other words, after accounting for inflation, the Treasury will pay back bondholders less than the amount it borrowed.

Second, it will take years after the pandemic ends to bring the unemployment rate back down to where it was early this year. That means there will be plenty of otherwise idle workers for public projects even if they don't get off the ground until 2022.

Private infrastructure projects, for their part, can boost employment in the short term and, at the same time, help make companies more resilient to Covid-19.

For example, evidence suggests that poor ventilation may increase the spread of the virus. Yet most buildings don't meet minimum standards. Also, many companies report that having employees work from home has gone far better than expected, because video conferencing has turned out to be more convenient than in-person meeting. However, many at-home workers could stand to have much improved internet connectivity.

Such changes call for large investments. But the private sector, unlike the federal government, faces increasing constraints on how much it's able to borrow. Congress could help by using its own borrowing capacity to give private investors the extra liquidity they need.

The Coronavirus Aid, Relief, and Economic Security Act moved in this direction by raising the limit on certain corporate and investor tax deductions. It allows those not claimed in one year to be claimed in future years.

At the time the CARES Act was passed, opponents decried this as a giveaway to the rich, and

Democrats promised to reverse it in later legislation. But the change is better thought of as a low-interest business loan. With the cap in place, those same deductions would have been spread out over more years or taken against future income from the rent or sale of property. Lifting the cap simply allows investors to take the deductions sooner.

This increases liquidity and at no cost to taxpayers, because government borrowing costs are so low. Indeed, Congress should go further by allowing investors in real estate and other long-lived assets to cash-out the tax value of any remaining deductions they are carrying on their books for 90 cents on the dollar.

The timing is right for both the public and private sectors to invest in the future of America. The government can inexpensively provide all the funds — creating jobs today and laying the foundation for a more prosperous tomorrow.

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