

Road Construction: The Perspective of an Economist

Kylie Grinwald

May 25, 2018

Written for the Wisconsin Towns Association Scholarship Essay Contest

Much of a young person's life is spent thinking about the future, setting goals, and figuring out how to achieve them. To some extent, everyone lives through a cyclical process of pondering and acting upon the following questions: *Where do I want to be in the future?* and *What does it take to get me there?* These questions can be explored on a very deep, philosophical level, when individuals consider the costs and benefits of higher education or envision their future selves with growing families, professional success, or a more developed personality and sense of self.

These questions can also be approached from a very pragmatic point of view when individuals, businesses, and government consider the roadways and infrastructure it takes to get students, business professionals, and Wisconsin families from place to place and town to town within the great state of Wisconsin.

The significance of public sector investment in local infrastructure and roadways is underscored by the economic principle of the multiplier effect. When a local government invests in roadways, this investment creates an impact much larger than the initial amount spent (Agarwal, 2017). Not only are economic growth and jobs created within the processes of road construction itself, but local investment in roadways has the boundless power to fuel future growth--attracting seemingly-unrelated industries and jobs to a town simply because of the area's developed network of roads and well-maintained infrastructure. Further, roadways are an example of core infrastructure, which means they are most directly related to an area's economy; improving roadways is among the most effective ways of spurring economic growth through investing in infrastructure (Stupak, 2018).

For Wisconsin as a state, a collective increase in towns' road investment means a collective increase in efficiency, economic growth, and the wellbeing of Wisconsin citizens. It means that crops will move faster from farm-to-table, making even fresher appearances at local grocery stores and farmers' markets. It means that the standard of living in Wisconsin can increase through employing the multiplier effect of investment in roadways. It may even mean an improvement in the safety of Wisconsinites as they travel both on rural roadways and through the heart of Wisconsin cities and towns.

Despite these clear benefits of roadway investment, there remains a mysterious lack of adequate infrastructure in Wisconsin, including hundreds of dollars in costs to the average driver from driving on roads in need of repair ("Wisconsin Infrastructure Overview," 2017). This phenomenon can be explained by another economic principle: the concept of marginal social benefit and public goods.

In economic terms, roadways demonstrate the qualities of a public good, which means that they are difficult to exclude individuals from using and can be used by many people at once without disadvantaging other users ("What are Public Goods?", n.d.). Public goods often correspond to an economic imbalance of how much of a good is needed and how much of it is provided in a natural market. In this case, the private benefit of spending money to finance a roadway system does not fully represent all the positive results of making the investment. In economic terms, this means that the marginal social benefit is greater than the marginal private benefit of investing in roadway systems. Because economic markets operate by considering marginal private benefit, rather than social benefit, this results in underinvestment in roadways within the private sector alone.

This means that the public sector--in the form of local town governments--often takes initiative to correct this economic imbalance by investing in or subsidising road construction and infrastructure development on behalf of the economic wellbeing of its constituents, recognizing the large impact that investment in roadways can create.

Roadways clearly play an important role in Wisconsin's economy. From transporting the wealth of agricultural products our state proudly produces in its rural towns and family farms to processing the manufactured goods the state excels in creating to bolstering tourism in growing Wisconsin towns, roadways have the power to connect, develop, and enable.

Living in the small town of Rubicon, Wisconsin myself, I know that road construction projects are the talk of the town in rural communities whenever they occur. With intrigue and nervous excitement, the majority of citizens come to see how road and infrastructure development is an integral part of their community, as roundabouts make the intersections of our sprawling country blocks more efficient and the construction of brand new roads allows for new houses, farms, and businesses to connect to the neighbors, towns, and the entire world to which they contribute. Road investment exemplifies how seemingly small endeavours can make significant economic impacts, helping connect and develop Wisconsin's wonderful towns and communities every day.

References

Agarwal, P. (2017, December 15). The Multiplier Effect. Retrieved May 23, 2018, from <https://www.intelligenteconomist.com/multiplier-effect/>

Stupak, J. M. (2018). Economic Impact of Infrastructure Investment. *Congressional Research Service*.

What are public goods? (n.d.). Retrieved from <https://www.khanacademy.org/economics-finance-domain/microeconomics/consumer-producer-surplus/externalities-topic/a/public-goods-cnx>

Wisconsin Infrastructure Overview. (2017). Retrieved May 23, 2018, from <https://www.infrastructurereportcard.org/state-item/wisconsin/>