

Federal Government Subsidies for High-Income Americans

Transportation Policy Errors

July 27, 2010 Marcus Bowman, 3G Mobility

There are a couple of big government policies that are taking taxes paid by the middle class and poor and using the money to pay for new transportation for the richer and the ultra rich? It really makes you wonder when you stop to think about it. The point here is not about the merits of these transportation options below.¹ The point here is simply about how they are funded and supported by government.

Two of the latest trends in government subsidies:

High-Speed Rail:

All Taxpayers Contribute -> High-Income Americans Ride

I don't criticize the President for supporting High Speed Rail (HSR). It's another mode; it increases mobility, and could help make transportation around the country easier. But should the Federal government be paying for it? It is a sadly ironic fact that the government is funding construction and operation of a system whose primary riders will be high-income. Government funding to operate passenger rail, as well as funding to construct passenger rail, is subsidizing **high-income Americans**. Who will be able to afford to ride these high-speed trains? It will be business travelers and upper income.

Why are **all the people's tax dollars** being used so that a system is available **for high-income users** along certain corridors chosen from Washington, DC? Why do tax payers in Utah, Montana, and rural Texas subsidize Amtrak ridership in the Northeast corridor from Washington, DC to Boston?

The result on the first round of Federal Railroad Administration (FRA) funding announcements is that taxpayers in Montana, Wyoming, Hawaii, and West Virginia are paying for projects in California, Illinois, and Florida. This is an issue of income inequity in which taxpayers in relatively poorer states are subsidizing Washington DC to choose projects in higher income states. It is patently un-equitable for all taxpayers to be subjected to pay for projects which have no relevance to their state, locality, or in the case of upper northwestern states such as North Dakota, no relevance even to their entire region.

There is far greater potential for success in high speed rail projects if there is a much greater reliance on private capital to build and operate the lines. This way the private sector is going to undertake projects in a more rational manner where success is likely. I like to point out that if Amtrak was privatized 30 years ago speeds between Washington, DC and New York and Boston would be faster today with much better service and reliability. It's a valuable corridor and private sector minds would work to maximize

¹ High speed rail (if truly high speed, such as at least 125 MPH) is an excellent transportation option which can help around the world. The problem is a lot of the Federal projects that are called "high speed" are for 79 MPH and 95 MPH trains. Regarding electric cars, well, I write about them a lot. They are a large part of the forthcoming revolution in personal vehicles.

the profits by reinvesting in track improvements and making an experience that wins over customers. The Federal government should help facilitate HSR but it doesn't need to be soup-to-nuts. Encourage private sector involvement and end Federal subsidies for high-income travelers.

Electric Cars:

All Taxpayers Chip In for Tax Benefits and Grants to Build Cars for the Wealthy

When Tesla Motors (NASDAQ:TSLA) began trading last month following its IPO (Initial Public Offering) many people may not realize that it took federal government grants to get that IPO off the ground. Tesla is not profitable and the only way investors would pony up cash is if there was a pot of money in the bank to start with. And so the Department of Energy gave Tesla Motors that pot of money—a \$465 million loan! Why? Well, evidently, the federal government is in the business of subsidizing the purchase of \$41,000 and \$60,000 automobiles. Nissan received \$1.6 billion for the all-electric LEAF vehicle. Today, our TV programs are sponsored by that money as the LEAF gets promoted around the country so that wealthy car buyers can get a tax benefit of \$7,500 toward the purchase of their car. Not to mention the Chevrolet Volt, which is even more directly connected to the Federal government—which actually owns General Motors!

All of these electric cars are great. They can do a lot in terms of diversifying energy needs for vehicle travel. There are the obvious environmental benefits of reduced emissions on the roads. The question again is: Why are poor and middle class taxpayers subsidizing this?

Evidently, the wealthy folks that are plucking down \$60,000 for a new Tesla car or \$35,000 plus for a Nissan LEAF need some help from low-income, and middle-class taxpayers. So the Federal government comes along with a \$7,500 tax benefit² for the high-income American that shows up to buy the car! After the federal government has given the automaker taxpayer money to build the car in the first place! There has got to be a better way!

² http://www.washingtonpost.com/wp-dyn/content/article/2010/07/27/AR2010072705834_pf.html