

No matter the politics, Trump's wall could provide jobs, stimulus if recession strikes: Don Pittis

Yet experts say it is essential to compare the wall's returns to other infrastructure choices



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Prototypes of Donald Trump's proposed border wall are shown in San Diego. Constructing a wall across U.S.-Mexico border could create jobs in a recession, but would it be the best way to spend the money? (Elliott Spagat/Associated Press)

If a U.S. recession is around the corner, the construction of President's Donald Trump's wall on the Mexican border could be an economic godsend.

Last week, the world's most powerful central banker, U.S. Fed Chair Jerome Powell, [assured us](#) that economic growth would continue in 2019. Bank of Canada governor Stephen Poloz has been [similarly optimistic](#).

But the forecasts after that are more cloudy.

The International Monetary Fund has [already warned](#) that the world is unprepared for the next slowdown, and the Organization for Economic Co-operation and Development (OECD) has recommended countries dust off plans for [fiscal spending](#) when recession hits.

Self-inflicted illness?

It may be that for Trump, if such a slowdown comes, it will be an example of economic [Munchausen syndrome](#) — a self-inflicted condition caused by his "[easy to win](#)" trade war with China and others.

But whatever the cause, fighting recession with big infrastructure spending projects has a long tradition around the world.

The creation of the Promenade des Anglais, in the French Mediterranean city of Nice in the 1800s, was an early example, when wealthy English residents contributed to build a shoreline walkway to provide jobs for the unemployed and to get beggars off the street.

In the Dirty '30s, governments organized similar make-work projects, including the deepening of Regina's Wascana Lake, using shovels, wheelbarrows and more than 2,000 labourers.



An early plan by English architect Thomas Mawson for a giant park in the centre of Regina at Wascana Lake. In the 1930s, the lake was deepened and reshaped using shovels as a make-work project. (Saskatchewan Council for Archives and Archivists)

More recent projects have been much bigger. Before the handover of Hong Kong to China in 1997, the Hong Kong government launched a multibillion-dollar infrastructure project to build a new airport, port and road connections, to boost the economy despite uncertainty during the transfer of power.

And according to Canadian research, such spending really works. In the construction phase alone, infrastructure projects multiply the value of the taxpayer money — or government borrowing — that's spent.

"Spent money on infrastructure generates, in addition to economic benefits like short-term employment and things of that kind in construction, ... positive net flow to the government," said Michael Fenn, a visiting fellow at Western University's Ivey School of Business and former head of Ontario transport agency Metrolinx, who has been described as an "infrastructure guru."

"The fiscal dividend for infrastructure is something like \$1.60 for every dollar spent," said Fenn.

That doesn't include such advantages as preventing the dispersion of workers or keeping their skills fresh during a recession. And it doesn't include the future stream of benefits to society from the project after it's completed.

Fiscal dividend of the wall

Even at \$1.60 to \$1, it's still not clear how much stimulus constructing a wall would add to the U.S. economy — partly because the amount to be spent remains confusingly disputed.

Trump's request of \$5.7 billion means it wouldn't make much of a difference to the gigantic U.S. economy during a recession. But then neither would it make much of a wall.

Research by the Brookings Institute puts the figure as high as [\\$70 billion](#), which really would create plenty of make-work jobs.



Hong Kong's Tsing Ma suspension bridge is shown under construction before the 1997 handover of the Crown colony to China. It's an example of stimulus with a large, long-term return. (Reuters)

There are at least two problems with the wall as a make-work project. One is that if the project really did start soon, before recession hit, there might not be enough workers to build it. (The irony of importing labourers from South and Central America to do the job would be too much.)

With U.S. unemployment at the lowest it has been in nearly 50 years, building a wall now could very well drive up inflation, giving the Fed one more reason to raise interest rates.

The other issue to be considered is long-term value creation, which studies consistently show can be the biggest payback for infrastructure spending. On well-chosen projects, it dwarfs the immediate \$1.60 to \$1 ratio of the original stimulus.

Money well-spent?

Sometimes the stimulus itself is well worth the money spent. The long-term benefit — as in the esthetic advantage of the Promenade des Anglais or Wascana Lake — may be hard to measure.

Jackie Schmidt, president of Heritage Regina, says the beautification of the enormous artificial lake in that Prairie city was worth the money. "I think the product was worth it, no matter how you paid for it."

But it's not clear if anyone would spend the money the same way now.

The economic payback of Hong Kong's giant construction project was easier to measure, maintaining the former British colony's place as a transport hub, even while mainland infrastructure grew up in competition.

The long term value of a wall?

Trump's belief that it would be a barrier to drugs or terrorism has been [widely discredited](#). There might be a certain economic advantage in making Trump supporters feel more secure — though that is hard to measure.

And should the existence of a wall prove to be a deterrent to would-be border crossers, the humanitarian benefit of reducing the number people who die in the desert would certainly have value.



Building a wall along the U.S.-Mexico border would create jobs, but it might not add as much value as other would-be infrastructure projects. (Kevin Lamarque/Reuters)

But even in a recession, the value of a make-work project must be assessed in many ways.

"The first question you would ask is, 'Is this the best way to address the issue?'" said Fenn. The second critical question, he says, is among all possible projects, does this one provide best value for money?

"In Canada, a project like the wall would compete with a whole lot of other things in health care, education, transportation and telecommunications to see where the money was best spent."

Andy Manahan, executive director of the Residential and Civil Construction Alliance of Ontario, says his members profit from construction spending — whether it is wise or not.

For the best projects, the value of doing such things as removing transportation bottlenecks or preventing costly flooding can be easily shown to pay their costs back many times over in increased business activity or reduced future expenses.

"On the other side of the coin, if you do short-term political thinking," he said, "then you may be spending on projects that have a negative return, which you don't want."

Based on his long experience in the industry, Manahan said he suspects that Trump's wall is of the second variety.

"My personal opinion is that it's a waste of money and time."