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Investing in Maritime Infrastructure Leads to Long Term Economic Gains for the Nation

A recent study, *An Economic Analysis of Spending on Marine Transportation System (MTS) Infrastructure* (April 2020) conducted by Inforum at the University of Maryland for the U.S. Committee on the Marine Transportation System (CMTS), demonstrates that increasing investment in marine transportation system (MTS) infrastructure above a business-as-usual scenario will improve U.S. economic performance. Specifically, we can expect additional MTS investment to deliver higher levels of GDP, more jobs, increased incomes, improved trade performance, and higher productivity.

"This report illustrates that our marine transportation system is an essential part of the Blue Economy and the Nation's GDP, making a persuasive argument for how infrastructure investment could aid in economic growth," said RDML Tim Gallaudet, Assistant Secretary of Commerce for Oceans and Atmosphere, Deputy Administrator of the National Oceanic and Atmospheric Administration, and Chair of the CMTS Coordinating Board.

Compared to a baseline forecast that assumes continuation of limited public infrastructure investment that leads to reduced efficiencies and higher costs, the report finds the following:

- In the short term, enhancing the level of infrastructure spending would boost jobs by between 54.7 thousand and 182.5 thousand jobs in 2025, depending on the scenario.
- By 2030, the level of real GDP would rise between about $8 billion and $41 billion in 2012 dollars.
- Because of cumulative effects through time, by 2045 infrastructure investments could produce economy-wide returns of between $2 and $3 per every $1 spent, after adjusting for inflation.

The quantitative analysis underpinning the study uses data that spans a historical period ending in 2019, before the onslaught of the COVID-19 pandemic. Therefore, while the basic conclusions of the study remain valid, the magnitude of the benefits of MTS investment will likely be smaller. For example, the report notes that, in the short term, additional investment will boost demand in the economy as construction workers spend their incomes on goods and services. Under current COVID-19 response practices, however, there will be fewer operating businesses where construction workers can spend their incomes, at least for a time. This means the short-term demand boost stemming from capital outlays will be smaller than estimated in the report.

It is important to note that the study finds most of the gains to GDP from 2020-2045 - 80 percent, in fact - will be due to higher productivity (output per hour worked), and the rest to increased employment. This should provide some comfort that under these changing economic times, even if employees only gradually return to work, the country should still expect to see noticeable gains in GDP.

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