

Transportation by William Engdahl

Europe beefs up its railways

A major European investment into high-speed rail transport is about to leave the U.S. trailing even more behind.

A little-noticed development is taking place in Western Europe. For the first time since Europe's major railroad investment buildup at the end of the last century, a dramatic modernization of the continent's rail transport infrastructure is at the center of debate. These changes promise to transform the economic face of the continent in ways far more meaningful than the European Community's ill-advised "Europe 1992" plan to abolish national borders.

Since 1981, the forward-looking French have touted a model for the "train of the future," the *Train à grande vitesse* (TGV) or high-speed conventional train, which ran the line from Paris to Lyons. In September, the French government opened its newest TGV link to the Brittany coast, and next year routes will run south to the Spanish border, where Spain is expected to link Barcelona with the French high-speed rail network.

This beginning of modernization of Europe's rail network got a major boost a few months ago from the association of 14 European national railroads, known as the Community of European Railroads. The CER has drawn up a master plan for a new Europe-wide high-speed rail network to be completed by 2005. It would link London to Rome in less than eight hours—less than one-third of current time—and would solve serious congestion bottlenecks now choking Europe's highway and airway grids.

Meanwhile, Germany's state rail-

way, the Bundesbahn, in cooperation with a group of industries including Asea-Brown Boveri, Krauss-Maffei, and Krupp Machinery, has begun its complement to the French TGV, the Inter-City Express or ICE. By 1991, the ICE will have a rapid link between the northern industrial port of Hamburg and the southern city Munich on twin tracks whose trains will average 280 kilometers per hour (174 mph), double present speeds. Maximum test speed of the ICE to date is 407 kilometers per hour (253 mph). The Bundesbahn has already budgeted several billion dollars for the purchase of special locomotives and track modification. The value of the emerging market to produce new aerodynamic high-speed rail locomotives alone is conservatively put at \$30 billion over the next several years. The new rail lines will carry freight and passengers.

French experience with eight years of their TGV is that, if rail fares are deliberately kept equal to what is charged for conventional trains, increased usage of the high-speed line more than compensates for the cost of development. TGV is one of the few profitable rail lines in the world.

There is now a debate of sorts in the U.S. Congress, I'm told, which has been catalyzed by the rapid pace of these European infrastructure projects. Some economists and congressmen apparently realize, some 25 years late, that public transport infrastructure is a vital national economic asset. America's highways are dilapidated, its bridges collapsing, and its electric

power grid stagnant to worse. Costs of reviving and modernizing have been estimated in the trillions.

In a recent analysis of the relation between government investment in rails, highways, waterways, electricity, and other economically vital "core infrastructure," David Aschauer, an economist with the Federal Reserve Bank of Chicago, documents that the mid-1960s was the peak for increasing U.S. infrastructure investment into the economy. The U.S. ratio of public to private capital stock peaked in 1964. The rate of return for private capital investment peaked the following year.

This turning point coincided with the point when President Lyndon Johnson's "post-industrial" Great Society slashed productive investment, NASA was wound down, and billions of tax dollars were dumped into the senseless Vietnam War. The U.S. economic engine was left to rust for the next quarter-century.

What Aschauer and others are beginning to re-discover, is a very basic fact of economic reality: National commitment to infrastructure in the "public sector" is a *sine qua non* for a competitive private sector. "New highways, airports, and modern power plants—components of a general economic infrastructure—are likely to heighten the productivity of private capital and spur expenditure on new plant and equipment," Aschauer concludes. These very "special" public outlays repay themselves many-fold for every tax dollar spent as economic growth generates new revenues.

Aschauer's international comparison of the seven industrial economies for private sector productivity growth in relation to rates of public core infrastructure investment, shows the U.S. at the bottom, while Japan is at the top, closely followed by West Germany and France.