NEW EVIDENCE FOR AN INFRASTRUCTURAL INVESTMENT CYCLE

Laurence J. Malone
Hartwick College

ABSTRACT

This essay explores the theoretical origins of an infrastructural investment cycle in the works of Marx, Kondratieff, and Schumpeter, and examines evidence of a cyclical pattern in federal spending for transportation infrastructure in nineteenth century America. Investments of this type, given the large-scale of capital formation required in the development of transportation systems, are distinguished by their considerable durability and irregular placement and replacement. A cycle running over a twenty to fifty year interval from the creation to the final depreciation of transportation infrastructure is suggested, but never substantiated, by these renowned theorists of the business cycle.

New time series data for total federal expenditures for roads and canals, light houses, and rivers and harbors from 1800 to 1882 in the United States unambiguously show that investments in these major transportation systems increase dramatically at the onset of trough phases in the business cycle over the same period of time. Nineteenth century federal expenditures for transportation thus point to the potential rewards of pursuing further research on the possibility that such counter-cyclical public spending was deliberate on the part of the United States government, before the birth of Lord Keynes.