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Public Authorities Have Failed the Public

By James Ostrowski

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It is time to recognize that the authority system of public administration in New York has failed.

We spend too much time critiquing the particular acts of particular authorities—the Power Authority, Peace Bridge Authority, Water Authority, NFTA, BMHA and Thruway Authority--without grasping why these secretive agencies so often disappoint us but always manage to serve themselves. It's not an accident; it's their very nature.

The authority system failed because authorities are not subject to the discipline of the marketplace *or* the ballot box. When things go wrong, those in charge are neither voted out of office nor do they lose their investment.

Authorities fancy themselves as more akin to private business than to bureaucratic government. In truth, they do not remotely resemble private firms. Those who manage and control authorities do not own their capital value. Those who in some abstract sense “own” the capital value—“the public”—have no control over it. The notion that the public owns the capital value of authority property is a fiction. “The public” is an abstraction representing the people as individuals. Yet, if any one of us tried to sell our

share of the authority, we would surely be arrested for fraud or ordered to seek psychiatric counseling.

Thus, for all intents and purposes, *no one* owns the capital value of an authority. Many have complained that nothing has been done on the Buffalo waterfront for fifty years. It was left to Free Buffalo to explain why¹—the owners and managers, whether they are from the NFTA, the City, or the Coast Guard—do not, in any real sense, own the capital value of their assets. Therefore, they suffer no personal loss from the waste of those assets. Ironically, our leaders now inform us that yet another secretive, unaccountable public authority controlled by Albany²—the Erie Canal Harbor Development Corp.—whose members also do not own the capital value of the waterfront, are going to come to the rescue. In truth, we need to be rescued *from them*.

Authorities also differ from private firms in that they raise a large portion of their revenue by coercive means including taxes and user fees artificially inflated through the advantage of legal monopolies. For example, the Niagara Frontier Transportation Authority (NFTA) cannot force customers to ride its buses; however, those buses are relatively free from competition by law. Thus, authorities have a greatly reduced incentive to satisfy customers.

In fact, authorities, like all government agencies, are bureaucracies, that is, organizations governed by rules and not by the desire to earn profits by satisfying customers. Authorities share with other government agencies all the defects of bureaucratic management but have one major additional defect: you can't vote the managers out of office.

Authorities are managed by boards whose members are generally appointed by politicians—governors, legislators and local executives. However, they are appointed for terms and not removable without cause. One might think that the public can hold politicians responsible for making poor appointments to authority boards. However, few members of the public are even aware of which politicians appoint which board members. There is no evidence that politicians suffer *any* loss of popularity because of their authority appointments.

What actually happens is far different. Generally, politicians appoint those who supported their campaigns. Such appointments not only reward supporters, but they also

¹ [Economics in Five Lessons](#), Free Buffalo Policy Report No. 3

² **From:** Wetzel, Deborah [mailto:DWetzel@empire.state.ny.us]

Sent: Friday, February 10, 2006 3:08 PM

To: jameso@apollo3.com

Subject: answers to your questions

The seven voting members were initially recommended by the Governor, and the ESDC Board appointed them when it created the **subsidiary corporation** as authorized by the statute governing the ESDC. The ECHDC has two ex-officio non-voting members (Mayor of Buffalo & Erie County Executive), and one other non-voting member (Melinda Rich).

ensure that the politicians will exercise influence over authorities they do not legally control. Such influence is useful in ensuring that authority jobs and contracts go to the supporters of politicians who appoint the board members. In colloquial terms, *authorities are political patronage dumping grounds*. It is quite naïve to suggest that politicians should hold authorities accountable for their wasteful spending and patronage and pork barrel politics. By engaging in such practices, *the authorities are doing precisely what the politicians expect them to do*.

Once authorities are up and running and employing a significant number of patronage workers and doing business with politically-connected contractors, the relationship between politicians and authorities is turned upside down. Instead of politicians picking authority bureaucrats, the bureaucrats take an active role in picking the politicians who will ensure their continued employment.

In summary, politicians exercise little effective control over wasteful spending by authorities and voters exercise little effective control over the politicians who distantly preside over the system.

The result of these dynamics is that authorities have become largely autonomous, secretive, powerful and self-perpetuating political patronage empires that not only impose huge costs on the public but also skew the results of elections away from those who favor the *public good* to those who favor the *authorities' good*.

Since the authorities thrive under the present political regime in New York, authorities collectively represent a strong force to preserve the dreadful status quo in New York politics.

How should we replace the authorities? There is not a single or simple answer to that question. Each authority has a different history and function and each requires a different solution. Free Buffalo will in the coming months propose such detailed solutions. In general terms, our alternatives fall into these categories:

1. elimination
2. privatization
 - a. replaced by for-profit firms
 - b. replaced by not-for-profit corporations controlled by the consumers of the authorities' products or services
3. placing an authority under the direct control of an elected official, providing unambiguous political accountability

This much can be said with certainty today: get rid of the IDAs (Industrial Development Agencies). They are unnecessary, unproductive, wasteful and a violation of the concept of equal protection of the laws—facts which, in a less decadent political climate, would be obvious to all.

Appendix

Public Authorities in Buffalo/Niagara (a partial list)

Amherst IDA	Niagara (town of) Housing Authority
Buffalo (City of) Urban Renewal Agency	Niagara County IDA
Buffalo Municipal Housing Authority	Niagara Falls (city of) Housing Authority
Buffalo Municipal Water Finance Authority	Niagara Falls (city of) Parking Authority
Buffalo Sewer Authority	Niagara Falls Bridge Commission
Cambria (town of) Housing Authority	Niagara Falls Public Water Authority
Clarence IDA	Niagara Falls Water Board
Concord IDA	Niagara Frontier Transportation Authority
Empire State Development Corp.	Niagara IDA (Town)
Erie County Industrial development Agency	North Tonawanda (city of) Parking Authority
Erie County Water Authority	North Tonawanda (city of) Housing Authority
Hamburg IDA	Tonawanda (City of) Community Development Agency
Lackawanna Housing Authority	Tonawanda (city of) Housing Authority
Lancaster (village of) Housing Authority	Tonawanda (town of) Housing Authority
Lancaster IDA	Tonawanda IDA (Town)
Lockport (city of) Housing Authority	Urban Development Corporation
Lockport (town) IDA	Wheatfield (town of) Housing Authority
New York Power Authority	
New York State Thruway Authority	