



Free Buffalo
Policy Report No. 1

The Partnership Goes Far, But Not Far Enough

By James Ostrowski

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Introduction

The [Buffalo Niagara Partnership](#),¹ a group representing more than 3,000 local business firms, has released a [report](#)² calling for major changes in Erie County Government.

The report, which contains 360 pages of detailed analysis of Erie County Government, is the product of about six months of collaboration between about 20 paid staff members or interns and about 100 volunteers. Though widely described as a volunteer effort, it is apparent that the massive undertaking would not have been possible without a large staff. The Partnership's budget is the range of \$3 million.

There are many good ideas in the report that are consistent with [Free Buffalo's philosophy](#)³ (See Figure No. 1.) However, the report does not go far enough in cutting government down to the right size. Perhaps the Partnership is constrained by its status as a business lobby. Judging from its board of directors and the report's oversight committee, one is tempted to call it a *big* business lobby. Free Buffalo is not a business lobby and is not so constrained.

Figure No. 1

Partnership Proposals that Downsize County Government

- **End subsidy to Erie County Medical Center (ECMC)**
- **End Subsidy to Erie Community College (ECC)**
- **Stop free Sheriff patrols**
- **Downsize the library system**
- **Selling county land to municipalities**

¹ For the web links in this report, see the online version at FreeBuffalo.org.

² <http://www.thepartnership.org/ecsp/index.html>

³ <http://www.jimostrowski.com/articles/manifesto-webversion.htm>

Can Government be Run Like a Business?

The authors of the report also seem to be overly naïve about the nature of government and its amenability to reform. They also seem to believe that government can be run like a business.⁴ It cannot, anymore than a business can be run like a government. Restaurants, for example, cannot conscript, tax or regulate their customers. Nor can politicians or bureaucrats *pretend* that they own the government, that they are making profits or incurring losses, or that the taxpayers have voluntarily chosen to pay taxes. The forced expropriation of taxes on pain of imprisonment cannot be compared to the prices consumers choose to pay in a free market.

Economist Murray Rothbard explains:

“There is a fatal flaw that permeates every conceivable scheme of government enterprise and ineluctably prevents it from rational pricing and efficient allocation of resources. Because of this flaw, government enterprise can never be operated on a ‘business basis,’ no matter how ardent a government’s intentions. What is this fatal flaw? It is the fact that government can obtain virtually unlimited resources by means of the coercive taxing power (i.e., limited only by the total resources of society). . . Private firms can get funds only from consumers and investors; they can get funds, in other words, only from people who value and buy their services and from savers who are willing to risk investment of their saved funds in anticipation of profit. *In short, payment and service are . . . indissolubly linked on the market.* . . . Government, however, has no checkrein on itself, i.e., no requirement of meeting a test of profit-and-loss or valued service to consumers, to permit it to obtain funds. . . . The profit-and-loss test serves as the critical guide for directing the flow of productive resources. No such guide exists for government, which therefore has no rational way to decide *how much* money to spend in total or in each specific line.”⁵

Free Buffalo is based on the insight that we have to get over our modern notion that government can be reformed and return to the founders’ classical notion that government is a dangerous animal to be caged in. George Washington said: “Government is not reason; it is not eloquence. It is force. Like fire it is a dangerous servant and a fearful master.” Thomas Jefferson wrote that “The natural progress of things is for liberty to yield and

⁴ “Among the department heads interviewed, there was a general lack . . . of awareness of private sector management methods or even relative compensation. . .” [page 21 (all citations are to the report unless otherwise noted)] On page 32, the report recommends establishing “incentive-based performance reward programs” based on “private industry practices.” On page 307, the report states, referring to the Department of Social services that: “The current system does not provide the county with the ability to influence the provision of services based on market forces.” See also, pages 32, 125, 177, and 307.

⁵ [Man, Economy and State](http://www.mises.org/rothbard/mespm.PDF), (Scholars Edition, 2004), pp. 947-948.
(<http://www.mises.org/rothbard/mespm.PDF>)

government to gain ground.” Thomas Paine said, “Government, even in its best state, is but a necessary *evil*; in its worst state, an intolerable one.” (Emphasis added.)

The Partnership is often on the right track but it doesn’t fully realize that *the problem with government is its government-ness*. Government is force; force is power; power corrupts. That being the case, the best solution to the problem of government corruption, waste and incompetence, or any other problem with government, is to *reduce the size, scope or power of government*. Government cannot misuse funds that remain in our pockets and government cannot abuse powers it was never given in the first place.

Regionalism is not the Answer

In recent years, the Partnership has advocated regionalism or the centralization of government power. However, a proper insight into the nature of government leads one to the conclusion that government should be *decentralized*. Small, local governments are by no means perfect. They do, however, have the virtue of being close by and subject to periodic housecleaning by the people. Also, they have the attribute of being *escapable*. You can *vote with your feet* by moving to the next town or city and thereby *cast the deciding “vote”* for a new set of policies and a different level of taxes. This introduces an element essential to keeping government small and responsive: *competition*. In a decentralized political regime, local governments face at least some pressures to keep costs down so as to retain existing residents and businesses and attract new ones.

The one apparent virtue of regionalism, sharing costs and economies of scale, is largely illusory. You don’t need a central government to achieve such savings. Rather, you need the *incentive* to do so. *Centralized* government lacks such incentives, which is why our highly centralized and “streamlined” county, state and federal governments are massive in size and wasteful in their spending habits.

If regionalism means local governments voluntarily sharing costs and functions, hardly anyone opposes it. But if it means it means shifting real political power to higher and larger government levels, it makes no sense in theory and fails in practice. In this area, support for top-down regionalism is very low, thanks in part to [Free Buffalo](http://www.freebuffalo.com)⁶ which has led the way in explaining its failings.

Joining the Tax Revolt?

There is, alas, little discussion of regionalism in the Partnership’s report. Rather, the Partnership, consistent with the general theme of the tax revolt, correctly focuses on cutting the size of government. Large cuts are recommended including eliminating the county subsidies to the Erie County Medical Center and Erie Community College. These are bold new proposals for the Partnership that come in the wake of the tax revolt which helped change the political atmosphere in Erie County to one more receptive to major policy changes.

⁶ <http://www.lewrockwell.com/ostrowski/ostrowski69.html>

The Partnership, however, comes late to the tax revolt. The tax revolt [started](#)⁷ when certain opinion leaders decided to call the County Executive’s bluff and endorse his “red budget” as a way to send a message to all concerned that the era of big government is over in Erie County. Initially, however, [the Partnership opposed the red budget and endorsed a sales tax increase](#).⁸ Eight months later, after tax revolt groups like Primary Challenge and Free Buffalo called for drastic change, the Partnership seems to be hearing the call—but only with one ear.

Selective Budget-Cutting

The budget cuts now proposed by the Partnership are vulnerable to attack from defenders of the status quo. While calling for large cuts in programs that appear to benefit the poor and working class, the Partnership makes no proposal to end the corporate welfare policies it has long championed.⁹ Their report explicitly defends, for example, the County’s subsidy to the ungainly and money-losing Convention Center and to the Convention and Visitors Bureau (CVB). Why? Because they benefit “hotels, restaurants, attractions, etc.” [page 165]. It is worth noting that Hart Hotels was a sponsor of the study.

Why should we cut subsidies to the *poor* while retaining them for the *rich*? There is really no answer to that question. Along the same lines, there is no mention of the debt-ridden County’s [recent appropriation](#)¹⁰ of \$14 million for the Bass Pro project which the Partnership supports.¹¹ The report recommends continued funding for several cultural institutions that are Partnership members. In fact, it recommends an increase of at least \$400,000 over the present budget. [153] It also recommends a \$2 million increase in funding for its “affiliate organization,” the Convention and Visitors’ Bureau. [viii-ix, 146]

These inconsistencies are damaging to the Partnership’s report in critical ways. First, they weaken the Partnership’s moral authority in seeking to advance proposals for the public good. Second, they smack of special interest group politics, the very thing that has brought Buffalo to its knees. Apparently, the Partnership is reluctant to cut the budget where such cuts would hurt its own members. Finally, the Partnership is guilty of failing to apply its own logic across the board. Thus, its own arguments in one area of the report negate its proposals elsewhere. Where it seeks cuts, it argues the superiority of the private sector. Where it opposes cuts, it conveniently forgets about those arguments.

The report complains that programs under the County’s auspices tend to be “subverted by . . . arbitrary or political” factors [154, 161], yet fails to apply that same

⁷ <http://www.lewrockwell.com/ostrowski/ostrowski73.html>

⁸ http://www.thepartnership.org/eventsandnews/news.php?nNews_id=76

⁹ Partnership members that purvey corporate welfare include: the Amherst IDA, the Erie County IDA and BuffLink, Inc. [160, note 93].

¹⁰ <http://www.buffaloniagara.org/news.asp?ID=109&ARCHIVED=0>

¹¹ The report does propose that the Department of Environment and Planning be somehow merged into the ECIDA (a member) and Buffalo Niagara Enterprise (an affiliate with which it shares office space. [73-74] This would apparently reduce staffing but would not reduce corporate welfare per se.

logic to programs and subsidies it supports. When it comes to defending subsidies for the convention center [144] and cultural institutions [149], the report is quick to cite the alleged economic impact of those subsidies. However, the report is silent on the undeniable economic impact of subsidies it wishes to eliminate such as those to ECMC and ECC. It should be noted that all such arguments from an alleged “economic impact” are suspect as they fail to consider that taxing such funds out of the private sector in the first place has a serious and negative economic impact that is also *multiplied* throughout the economy. Anytime you read about the alleged favorable economic impact of a public project, reach for your wallet.

The Partnership argues that the County should not be in the health care delivery “business” or the community college “business,” but apparently thinks the County should be in the convention center business and the transportation business. There is no analytical explanation for this mishmash of thoughts but there is a pragmatic explanation: the Partnership’s members benefit from the convention center and an executive committee member of the Partnership is chair of the Niagara Frontier Transit Authority (NFTA). The report does mention that the NFTA subsidy is mandated by state law and/or contract [164]. However, the same consideration did not stop the report from recommending that the County’s subsidy to ECC be terminated. [257].

The report states that ECMC is burdened by the high costs of benefits and pensions in excess of those of the private sector, but fails to apply that same lesson to the NFTA. [284] The Partnership sees benefits for ECC in shedding its “political relationship with the County” [page 256-257] but it fails to see how the Convention Center, Bass Pro and the NFTA could likewise benefit.

I suppose the Partnership could conjure some plausible explanation for these apparent inconsistencies, yet, the cynic would still insist that the Partnership is pursuing its own interests, not the general public’s.¹² It makes little sense to get the County out of the

¹² After this draft was written but before publication, Congressman Brian Higgins accused the Partnership of favoring the re-licensing of the Power Authority primarily because the deal would specifically benefit some of its dues-paying members as opposed to the public at large. According to Donn Esmonde’s column in the Buffalo News on September 23, 2005:

“Yet doing little seems to be what the Partnership and others want. My sense is the Partnership is protecting its own. It fears that pushing for a better deal risks the cheap power that local companies - many of them Partnership members - already get.

“Higgins thinks it goes beyond that. He thinks the Partnership is too cozy with the Power Authority, which is a member (paying \$25,000 annual dues) of the Partnership’s “Leadership Circle.” Lou Ciminelli, until recently the chairman of the Power Authority board, is on the Partnership’s executive committee.

“That’s why the Partnership is silent on this,” Higgins said.

“Partnership President Andrew Rudnick says it ain’t so.

community college and health care businesses but keep it in the transportation business. Perhaps their vision is one of lots of ill-educated and sickly people efficiently whisked around town on buses and trains.

The Partnership fails to fully grasp that what has destroyed Buffalo's economy is special interest group politics: *the use of government to benefit narrow special interests at the direct expense of the general interest*. Special interest group politics and the mindset that sustains it must end. It can't be ended in piecemeal fashion with each group proposing to end the subsidies they don't like and keep the ones they do like. That's how we got into the present mess. Through a process known as [logrolling](http://www.thefreedictionary.com/logrolling),¹³ each group gets to keep what it wants if they give in and allow the others to keep what they want.

Every subsidy is an argument for every other subsidy. This is particularly true of subsidies for the rich—corporate welfare—and subsidies for the middle class—cultural institutions and the arts. It is politically impossible to argue that we should subsidize the rich and the middle class while leaving the poor and working class to fend for themselves.

Toward a New Model of Buffalo Politics

How will cultural institutions survive without government funding? Here's a better question: how do average working class people survive *now* when their precious dollars are extracted from them to pay for nonessentials?

Cultural institutions will survive by cutting costs and exploring new avenues for funding in the private sector. More importantly, once they are decoupled from the political process, that process will change for the better. Politicians will no longer be able to throw tax dollars around to manufacture political friends and allies. Cultural institutions will have to come to the realization that *their funds come from the surplus wealth of the private economy*. They will therefore tend to support public policies that lead to economic growth. Before, with much of their budget coming from taxes, they tended to be skeptical of tax cuts. In the future, however, since tax cuts spur economic growth and any increase in their funding must come from such growth, they will presumably adopt a whole new attitude in favor of tax cuts.

Thus, cutting funding to cultural institutions and other special interest groups would accomplish much more than a mere reduction in government spending. Rather, it will help change the nature of politics itself. *Politicians will no longer use our money to build political machines that allow them to fend off electoral challenges*. Depoliticized institutions *dependent on the private economy* will tend to take a broader view of what is good for that economy. In short, politics will move away from a *special* interest group war

"If [Higgins] thinks we can be bought for \$25,000, he's naive," Rudnick countered. "Maybe for \$25 million, but not \$25,000. Our position on relicensing precedes the [Power Authority] commitment of \$25,000 to the Partnership. . . . We've been working on making more companies eligible for [cheap] power for years."

¹³ <http://www.thefreedictionary.com/logrolling>

of all against all with [everyone trying to live at the expense of everyone else](#),¹⁴ to a *general* interest politics where ever-larger segments of the population begin to identify their economic welfare with that of the economy as a whole and become more receptive to policies that foster a healthy and vibrant and growing economy.

We approach here the heart of the problem with Greater Buffalo. For 45 straight years, we have been losing people, jobs, businesses and hope because of big government, high taxes and a generally hostile business climate. Yet, the political class, those who benefit from the current regime, continues to control the political process through their clever use of our tax money to buy votes and because of their superior organization, greed and ruthlessness. Realizing that they make more and work less than they would in the private sector, they fight all proposals for real change. They are willing to persist in supporting policies that are obviously slowly destroying Buffalo, betting that their gravy train ride will continue till they retire, after which time the train can crash for all they care.

This cynical but accurate appraisal of our current predicament leads to a strategic vision. We must, by hook or by crook, shrink the political class at every opportunity. We must shrink the ranks of those who exploit the system for their own selfish purposes, utterly oblivious to the financial distress of their neighbors and to the likely fate of their community unless a halt is called to the madness. We must *shrink the political class* and expand their opposite: those who make their living directly or indirectly from the private economy and who therefore are likely to support policies and programs that advance the general and long-term interest of the community. Unfortunately, as the chart below demonstrates, the Partnership does not yet subscribe to this strategic vision. We look forward to the day when they will join us in this vital and historic mission.

¹⁴ <http://silentpc.org/university/bastiat.php>

Figure No. 2

The Partnership's Proposals Often Correspond to the Partnership's Interests

<i>Position</i>	<i>Interest</i>
Eliminate funding for ECMC/ Encourage a Merger	Kaleida and Catholic Health System on Partnership Board
Eliminate funding for County Home	Owner of Nursing Homes on Partnership Board
Eliminate funding for ECC	Canisius, Daemen on Partnership Board
Maintain funding for Convention Center Visitors' Bureau	Numerous hotels and restaurants and are members of the Partnership; the Convention and Visitors Bureau is an "affiliate organization" of the Partnership
Increase cultural funding (over 2005)	Five Partnership members would receive large grants: History Museum, Zoo, Philharmonic, Science Museum; three others would receive small grants; one Partnership member would lose funding under the proposal: the well-heeled Art Gallery
Maintain funding for NFTA (\$20,000,000!)	Head of NFTA on Partnership board
Maintain funding for Bass Pro	None of the Partnership members is a local sporting goods store; Empire State Development, a beneficiary of the deal, is a member.
Maintain economic development funding (Corporate Welfare)	Numerous members of the Partnership have received or provided corporate welfare; two "affiliate organizations" and county grantees dole out corporate welfare: Buffalo Niagara Enterprise (\$100,000 this year) and BuffLink (\$100,000 in 2003) [160, note 93]

Can Government be Reformed?

The report makes the case that *County* government is incompetent, disorganized, and wasteful. Here are just a few examples listed early in the report:

- No current budget document exists [ii]
- County Charter budget rules ignored for years [5]
- County doesn't track, measure or monitor employee attendance [12]
- Hiring competent workers is a matter of luck [13]
- Expensive computer software not used [19]

One gets the impression, however, that the authors of the report fail to realize that what they are actually describing is *all government*, government per se. Because government is a coercive monopoly that can raise funds by legal force, it is going to be, from the point of view of the people, incompetent, wasteful, unresponsive and disorganized. What many fail to realize is that, from the point of view of those who control it, government is very efficient in fulfilling *their* needs—for power, money and prestige. One person's waste is another person's big fat pension. One person's pork barrel project or patronage job is another person's path to a dream home in the suburbs.

It is naïve to think that all this will change if right-minded citizens urge the politicians and their machines to adopt “best practices,” [iii] whatever that means. Unless those interested in change do the hard work of understanding what we are up against *and formulating a [new model of politics](#)*¹⁵ based on that understanding, little if anything of value will be accomplished. This is precisely what Free Buffalo has done. Free Buffalo has a three-part plan to deal with the inherent and insoluble limitations of government:

1. reduce the size and power of government on all levels;
2. move political power away from strangers in distant capitals and towards local governments formed in and around organic local communities; and
3. experiment in ways to fund government other than by taxation, such as user fees.

Conclusion

Supporting misguided reform¹⁶ efforts that fail to zero in on the nature of the problem, can be worse than doing nothing. To paraphrase Gresham's Law: bad reform movements drive out good ones. They can drain away and waste scarce resources for true reform and mislead people into believing that the problems have been dealt with.

¹⁵ <http://www.jimostrowski.com/articles/manifesto-webversion.htm>

¹⁶ “Reform” here is used in a more generic sense than earlier in this report when it signified political change that did not go to the root of the problem.

For example:

- In 1980, Ronald Reagan convinced people that he was going to make government smaller. [He failed](#),¹⁷ but did succeed in crowding out real reform efforts.
- In 1992, Ross Perot promised to restore power to the people. He failed in part because he lacked a coherent philosophy but not before he squandered scarce reform energies.
- In 1994, the so-called Republican Revolution to make government smaller reared its ugly head again, getting our hopes up. It too failed but not before squeezing out competing movements and squandering scarce resources.
- In 1977, *in Buffalo*, there was a reform movement that swept numerous machine politicians out of office. Yet, since the newcomers shared basically the same view of government as their predecessors—[economic liberalism](#)¹⁸—nothing changed except that a rare opportunity for real change was wasted.

All resources are scarce. Those interested in real change need to understand that it is vitally important that they expend their scarce resources—time, money, energy and political capital—wisely. If the tax revolt squanders this rare opportunity for change, our opponents will not kindly ascribe the failure to half-hearted reforms (as I would do). On the contrary, they will say that “We tried smaller government and it didn’t work.” The tide will turn and it will be years before we get a second chance. Buffalo simply cannot survive another generation-long swing of the political pendulum.

The Buffalo Niagara Partnership has issued a report that reflects the perspective of its big business/large non-profit organization constituency. That’s all well and good if your goal is to maintain the power and wealth of big business and large non-profit corporations. If, however, you wish to free Buffalo from big government, political machines and special interests, you should look instead to Free Buffalo’s bolder vision!

James Ostrowski is a trial and appellate lawyer, author of Political Class Dismissed and adjunct scholar at the Ludwig von Mises Institute. He is the President of Free Buffalo.

¹⁷ http://www.mises.org/freemarket_detail.asp?control=488&sortorder=articledate

¹⁸ See, James Ostrowski, *Political Class Dismissed*, pp. 26-31, 49-53.