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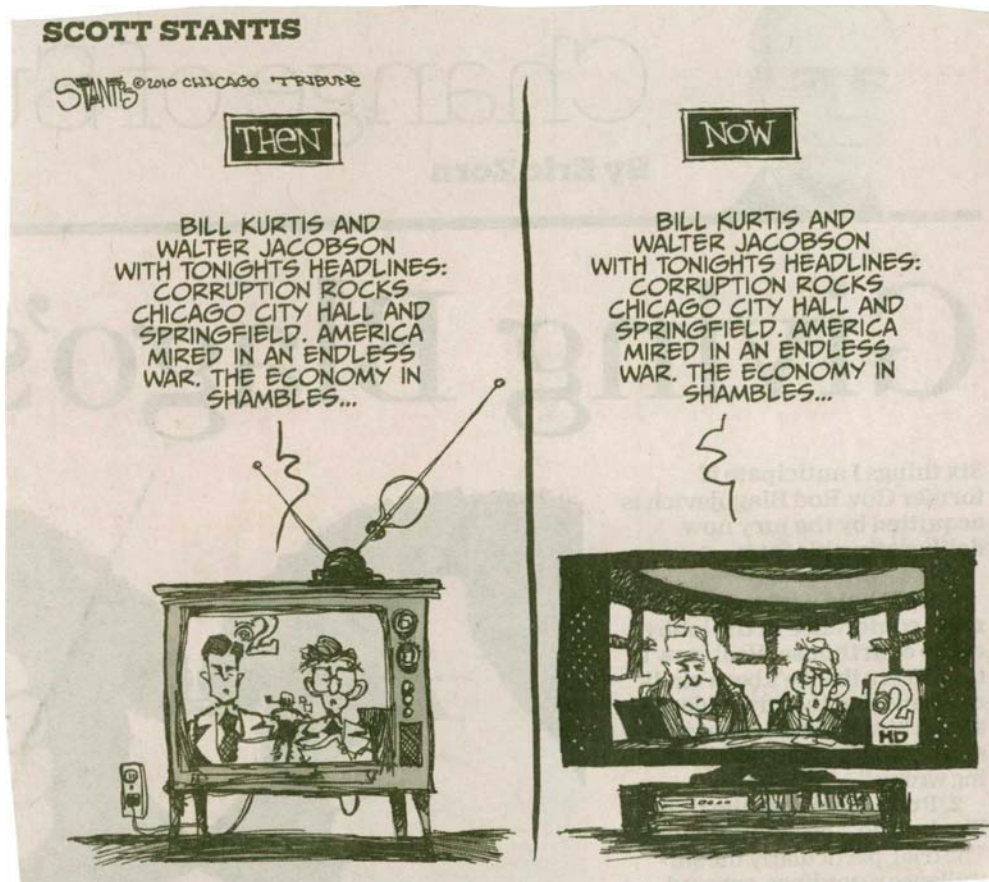
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# The Hidden (And Not So Hidden) Costs of Corruption



Blago guilty on one count. Prosecution prepares for new trial. That's today's headline.

Corruption in Illinois has been the subject of endless coverage, exposes, satire and jokes for decades.

Here's a popular story that seems to be everywhere on the Internet.

*I was in court the other day at a political corruption trial, the prosecuting attorney attacked a witness. "Isn't it true," he shouted, "that you accepted five thousand dollars to compromise this case?" The witness stared out the window, as though he hadn't hear the question. The prosecutor repeated, "Isn't it true that you accepted five thousand dollars to compromise this case?" The witness still did not respond. Finally, the judge leaned over and said, "Sir, please answer the question." "Oh," the startled witness said, "I thought he was talking to you."*

When our most recent governor was arrested for corruption, it was like an early Christmas for the late night comedy writers. Here's one comment from Letterman:

"But did you hear about this guy? Blagojevich is charged with corruption and apparently he was stealing a lot of money, getting a lot of bribes and kickbacks and hiding them in his hair."

We got a million of them.

What's *not* so funny is the costs behind the scandal headlines - headlines like these from just a few days ago:

**"KEY ZONING OFFICIAL QUILTS AMID PROBE"**- but the unqualified guy he put in place is still there earning \$69,000/year.

**"CHICAGO A MODEL TO AVOID"** (referring to the parking meter deal) and

**"THE AMERICAN DREAM - ON TAX PAYER'S DIME"** - Cook County employees getting federal subsidies to purchase homes improperly.

In my cluttered office I'm looking at several file folders of about a foot high. They are all about corruption and waste in local government - just from the last three years. I have another stack of academic studies, civic group reports and Inspector General investigations that is also about one foot high.

So I guess the first cost of corruption I should count is my copying bill.

So much for the humorous introduction to a painful and ugly topic.

To my mind there are two kinds of corruption - one which is frequently cited and the second which is rarely mentioned.

The first and most commonly understood cost is the financial cost to the taxpayer for paying for poor or nonexistent services. This cost is expressed in dollars and can be calculated by adding up the many scandals and doing a little extrapolating.

The second and harder to quantify cost is the cost in human lives - an opportunity cost for the missed solutions, incompetent leadership and missed remedies to complicated problems.

Let's look at the easy subject first.

There are a few big buckets into which we can sort the financial costs of corruption:

1. Hiring people who are not qualified for their jobs.

*EXAMPLE:* The Shakman Decree has been hovering over us for 40 years and allegedly monitors hiring practices for the city of Chicago, the Office of the President of Cook County, the County Sheriff and the Forrest Preserve District. We've spent millions on the Shakman administration process and millions awarded to people who were found to have been improperly passed over. But, amazingly, once a bad hire has been determined by this process, the bad hire **STAYS** in place. We loose three ways - we pay for the admin, we pay off the aggrieved party **AND** we have to pay the improper hire. Great.

2. Hiring people who do not actually work at their jobs - who are elsewhere - including prison.

*EXAMPLE:* The City Inspector General issued a 2008 report on the City's Bureau of Sanitation. Based on investigating just ten of the fifty wards, they found massive fraud where crews were being paid while not being on the job. They calculated an annual loss to the city of \$14 million.

3. Awarding contracts to the highest or unqualified bidder and getting poor or NO service. This includes fraudulent contracts to so-called minority businesses which turn out to be owned by old white men like me.

*EXAMPLE:* The Hired Tuck Scandal where the city paid \$40 million of year for nothing. 45 people were convicted, including 20 city workers - County Commissioner John Daley's brother-in-law went to jail. John also sold insurance to three of the biggest Hired Truck firms. 25% of all the Hired Truck money went to companies from Daley's 11th Ward and Hired Truck companies contributed a total of \$108,575 to the Mayor.

4. Sweetheart deals where the terms of the negotiations are secret and the specter of bad-faith bargaining hovers over the deal because the awardees are related to the government officials or have made campaign contributions to them.

*EXAMPLE:* The Mayor sold our parking meters for a song - we've spent most of the cash we got from the deal - parking rates have skyrocketed - and Bloomberg News reports that while the taxpayers got a little over \$1 billion from the deal, Morgan Stanley and their partners - which includes the oil rich sheikdom of Abu Dhabi - will reap \$9.6 billion. Mayor Daley's nephew, William Daley Jr., was a Morgan Stanley executive when this deal went down.

5. Secretive taxing programs that divert property taxes from units of government into hard to track slush funds that end up subsidizing private sector projects with no oversight, evaluation or accountability.

*EXAMPLE:* In 2008 the Tax Increment Finance Program siphoned \$875 million in property taxes away from the units of government that rely on property taxes for their operation. There are 420 TIF districts across the county. 161 of these districts are in Chicago, and they sucked \$496 million out of the city's budget in an essentially off-the-books secret budget controlled by the Mayor. Some worthy projects receive TIF funds, but far too many go to commercial developers with no debate, oversight, accountability or evaluation.

In 2008 Grossinger Auto received \$8.5 million to move about 10 blocks into the hottest retail area in the city - right across from the new Apple Store and virtually in the shadow of a glass high rise where one bedroom units go for over \$200,000. Willis Insurance, which made over \$950 million in the first quarter of 2009 got \$3.8 million when they moved into the Sears Tower. The Chicago Mercantile Exchange got \$15 million for rehab costs - this when the CME enjoyed 2009 revenues of \$2.6 billion!

While pleading poverty and announcing school closings, teacher lay-offs, and CTA Doomsday cut-backs, the City had \$1.2 billion in their combined TIF district funds at the end of 2009.

6. Large legal judgments resulting from recurring and systematic improper official misconduct and attending legal fees from defending these corrupt officials.

*EXAMPLE:* The most shameful and shocking incidence of official misconduct recently in the news would have to be the case of Police Commander John Burge. Although official investigations accused him of multiple instances of torturing suspects and although many of his victims have been exonerated, the statute of limitations ran out on his crimes and he was found guilty of perjury and obstruction of justice. The city has spent \$10 million to defend him and another \$21 million in settlement awards to his victims. This is not over by a long shot, as there are more civil law suits and dozens of new trials on the horizon as prisoners come forward saying they suffered at his hands.

7. And let's not forget old fashioned theft - just making off with cash or property.

*EXAMPLE:* My favorite city-employed thief has to be John "Quarters" Boyle, who was convicted after stealing \$4 million from the Illinois Toll Highway Authority and then given a cushy city job -- *and* he was a prominent player in the Hired Truck scandal! He was charged and convicted and is now serving a seven year prison sentence. I suppose when he gets out the City will hire him again - maybe to collect the cash from the new parking meters?

Are you getting numb yet? Don't. Here's a number that should keep you awake...

The Better Government Association, which has been around since the days of Al Capone, estimate that fully **TEN PERCENT of all government spending in Illinois is lost to fraud, corruption and waste.** I think that is VERY conservative. Let's break that down for someone living in Chicago:

- Chicago's 2011 budget = \$6.3 billion = \$630 million corruption tax.
- Cook County's 2010 budget = \$3 billion = \$300 million corruption tax.
- State of Illinois 2010 budget = \$24.8 billion = \$2.5 billion corruption tax.

**ONE YEAR Grand total for Chicago taxpayers for the Illinois Corruption Tax = OVER \$3.4 BILLION.**

And, as I said - I believe that is a conservative estimate. We haven't even addressed the sweetheart bond deals, the corrupt pension funds, the hopeless complex system of property evaluation and property tax collection in this county or the choke hold that the unions have over city, county and state representatives funneling millions to them in campaign contributions.

So that's the story on the ledger side of the equation.

What about the soft side - the human side of the cost of corruption?

Corruption is the enemy of excellence.

Corruption is the enemy of innovation.

Corruption is the enemy of service.

And corruption is the enemy of justice.

When corruption rules, these qualities go out the window.

I did Master's Degree research on the de-institutionalization of the Massachusetts juvenile justice system in 1974. Massachusetts closed its kid jails to all but a handful of the most violent offenders and placed their charges in community and foster-care settings. It's MUCH cheaper, far more effective and offers young people who get in trouble or who have addictions a way to a normal life rather than a career in crime - which what a jolt in the jailhouse brings. After decades of study and model programs *ONLY NOW* is Illinois stumbling to this test method of service and justice.

Why? Because our government is corrupt and incompetent. The human cost alone from the missed opportunity here is staggering.

Research shows that the lifetime wage differential between some WITH a high school degree and someone WITHOUT one is \$400,000! Think of the tens of thousands of kids who have slipped through a failed public education system and a corroded juvenile justice system because they are run by hacks, thugs and cronies. Now multiply that number by \$400,000 and you get a small sense of what the REAL cost of corruption and cronyism is for Cook County and Illinois.

This results is a special corruption tax placed on small businesses as they have to train workers who should be coming to work ready to solve complex problems. The cost of an ill prepared workforce is devastating to Illinois business. We are all paying the price for these missed opportunities. The University of Chicago recently did a study that showed Chicago and Cook County are positively hostile to entrepreneurs and small business, in general. Another byproduct of corruption is the loss of brainpower and new businesses as they flee to less expensive, cleaner, saner and more user-friendly jurisdictions. As we know that most new jobs are created by small business, it's no wonder that this region does very poorly in this metric, What could the \$3.8 million that was lavished on Willis Insurance done had it been broken up into small loans or grants for promising home-grown start-ups?

But the true cost of corruption in Cook County goes beyond even the hard and soft costs I've detailed so far.

Worse than ALL this is the pervasive sense of cynicism, resignation and apathy that falls on our citizens like some miasma and which has poisoned the body politic. Our democracy is dying right in front of our eyes. That is the ultimate price we pay by ignoring the annual corruption tax and all the misdeeds it represents.

Here's what Professors James Nowlan, Samuel Gove and Richard Winkel, Jr. had to say about corruption in Illinois in their book, "Illinois Politics - A Citizen's Guide:

**Although corruption in Illinois has been front-page news nationwide in recent years, citizens lack the sense of urgency and outrage that would otherwise move them to vote to rid the body politic of its rot. Citizens have yet to show that they will demand real reform from Illinois government officials.**

What do YOU say, HuffPo readers? Are **YOU** sufficiently urgent and outraged? What are you going to **DIFFERENT** this year to end the corruption tax in Chicago, Cook County and Illinois?

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