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## **The Disastrous World of the New York Subway**

**by Gregory Bresiger**

New York City just went through another egregious subway strike. Again. Yet this was a strike of public workers that was never supposed to occur. The workers are covered by the state's Taylor law, which isn't much of a law, since the workers repeatedly violate it. (There were transit strikes in 1966, 1980, and now 2005.)

The consequences of this illegal strike were myriad. Workers stayed home. Small, struggling businesses missed the Christmas rush and went under. Schools closed. Commuters scrambled for alternate routes. The infirm, the disabled, and the poor who couldn't afford cars were hurt. Drivers went through ungodly traffic jams.

But given the persistent problems of public transit, it is difficult to say whether a strike of a rundown state system is actually good or bad.

Every day, New Yorkers, especially those living in the outer boroughs who have long trips, grimace at the thought of riding the subways. The transit workers are perpetually angry. But, then again, I have rarely heard of anyone who worked for the state who loved his work. And for the riders — the ones who are supposedly the bosses — the rides are the equivalent of a daily root canal. I should know. I've been riding the subways from Queens to lower Manhattan for years. So every time I take the subways, there seems to be some problem, even when there is no strike.

### **A ride from Ground Zero**

On the eve of the possible strike, on Thursday, December 15, I got another taste of what it means when workers in this state system decide to slow things down.

The E-train heads for Queens slowly — very slowly. It pulls out of the World Trade Center station in Lower Manhattan. The trip starts me thinking. What happens when the government runs a business? By the end of my trip I am, once again, convinced that the results must always be egregious. Government enterprise is a hopelessly flawed model.

I am riding in what was once largely a privately managed and financed system. It is a system that was once acclaimed around the world. One New York liberal journalist, Robert Caro,

wrote in his book *The Power Broker* of the original subway system, “So superbly had it been designed that it took decades to break down.”

But the decades have flown by and the subway system has fallen on hard times. My train is dirty and poorly lit. Its wheels squeal up a storm. Worn brakes recoil so much that passengers battle to stay upright as we come into stations. Many of the latter are in a parlous condition. The train frequently stops between stations.

“We will be moving shortly,” the conductor frequently announces, a familiar message for subway riders. Most of them don’t even look up from their newspapers. What should be a 60-minute trip from lower Manhattan to Forest Hills in Queens will take almost two hours. The train will suddenly — and without explanation — take a different route to Queens. An E-train will become an F-train, leaving many riders angry and frustrated.

This reminds me of a similar trip a few months ago. At Jackson Heights, the train, which was supposed to be an express but had been going local, suddenly stopped for a public debate that didn’t amuse weary riders coming home from work: the conductor and the motorman had started arguing over the public address system.

“We’ll be going express,” the conductor announced. “No, we will be going local,” the motorman said. “Listen,” the conductor continued, “I have the authority of the tower so we’ll be going express.”

Back and forth it raged for 10 minutes. Confused passengers got on and off the train. Some cursed the Metropolitan Transportation Authority and the various government entities that have run the New York City subways for about 65 years since taking over the last private management company. One of the promises of public ownership and management back in 1940 was that the nickel fare would be protected from “greedy” private operators.

### **A ride back in subway time**

Politicians in the 1920s, such as New York State Senator Jimmy Walker, were forever complaining that avaricious private companies wanted to raise the fare. Walker later won fame as a see-no-evil Tammany Hall mayor who presided over a corruption-plagued administration. He resigned under pressure from the governor, Franklin Roosevelt, and fled to Europe. Nevertheless, he won many battles to keep the fare at a nickel. That’s even though the inflation of World War I meant the privately managed system had shrinking profits and eventually red ink.

The subways eventually went into the red because fares were stuck at 5¢ from the system’s opening in 1904 until the public takeover in 1940. Price controls in the subways wreaked havoc with both the quality and the quantity of the service.

This slow bankrupting of privately managed subways would presage what would happen to private railroads, which would be restricted by the Interstate Commerce Commission from raising fares and discontinuing lines through most of the 20th century. This rigorous regulatory

policy functioned as a kind of socialism without doctrines. Indeed, it allowed various leaders to pursue collectivist aims while disdaining the socialist label.

Herbert Croly was a “Progressive” of the early 20th century who yearned for government ownership of the railroads. In his 1909 book, *The Promise of American Life*, he called not only for more railroad regulation but also for a more prominent government role in running the railroads. He predicted that this would lead to “some gradual system of appropriation.”

Croly and New York City liberals who constantly pushed for government takeover of the subways must be counted as the fathers of government enterprise. Government enterprise is a kind of vague socialism in which supporters disingenuously proclaim their support for free enterprise. But through the use of price controls and other onerous regulations, socialist goals are slowly achieved over generations without anyone’s mentioning Marx or Engels. It follows a step-by-step process of property devaluation. When this process has gone far enough, property owners want to sell to the government. In the case of rent controls, thousands of housing units were abandoned and the government became a huge landlord. The private sector, under these difficult conditions, must give up. It has no other choice.

Who wants to run a business in which one can never raise prices? Who would want to work at a job in which compensation was never increased? Nevertheless, liberal politicians pushing government-enterprise policies promised that public-sector subways would mean that the best interests of the riders were protected. The system would also turn a profit or at least break even, they said.

But it never quite worked out that way. Ask the riders of the subways today. Ask the angry, striking workers. Don’t ask the politicians. They set up an authority to shield them from criticism when fares went up and the nickel fare was as much a distant memory as Ebbets Field or the Polo Grounds.

Once the “greedy” private operators were gone, there was no bar to fare, tax, and toll raises. (The revenues from city bridges subsidize mass transit.) These rate hikes usually have exceeded the rate of inflation.

Yet these skyrocketing revenues — de facto tax increases — were all needed and then some. They were supposed to pay for a problem-plagued subway system that rarely seems to break even or satisfy riders, if one measures the latter by ridership figures. The subway fare’s history under government operation parallels the history of the income tax — the more it was raised, the more money the government took in, the bigger deficits became, and the greater the pressures were to raise it some more.

Since 1940, under government management, there have been at least two constants in the New York City subways — rising fares and declining numbers of passengers. The yearly ridership, at its peak in 1947, was a little over 2 billion. Today it is around 1.4 billion. That’s approximately a 30 percent drop in a 65-year period when the city’s population has stayed about the same.

Actually, given that the city today contains a smaller middle class and more poor people, and given the prohibitive costs of running a car, one would think that the ridership numbers should have risen. However, the opposite happened.

And fewer passengers generate less money, which puts constant pressure on the fare. The fare has been hiked many times and is today \$2. The MTA — in announcing that it has recently turned an unexpected \$1 billion profit, but expects to return to its normal red ink in 2006 and 2007 — set off a firestorm. The union, on the eve of the strike, became irate. It believed it was entitled to a chunk of this skimpy profit for a system that is hundreds of billions of dollars behind in improvements and sometimes even routine maintenance. The MTA also said that the fare will probably rise in a year or two. It is actually already higher than \$2.

As the 19th-century economist-journalist Frédéric Bastiat might have said, there is the fare we see and the fare we don't see — the hidden costs that directly or indirectly affect every taxpayer in the MTA region. That's because over the years it has been "easy to hide the cost of dipping into taxpayer levies," wrote a biographer of Fiorello LaGuardia. He was the mayor who accomplished the 1940 plan to replace the private sector, a plan that most historians recognize led to a spiral of problems and high fares. The fare will inevitably go higher and higher, as the "dipping" must continue.

For example, in 2004 the MTA said that it expected to take in some \$3.5 billion. It projected another billion or so from the profits of the bridges and tunnels, whose tolls have been raised many times. That's although drivers were told in the 1950s that the bridges were generating so much money that the tolls would eventually be dropped. In spite of this extra bridge and tunnel money, \$4.5 billion is less than half of projected MTA expenses of \$9.4 billion! How can one refer to this, in any sense, as enterprise? What private-sector business takes in less than half of what it pays out and survives?

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