



11350 Random Hills Road, Suite 800, Fairfax, Virginia 22030 Phone (703) 934-6101 Fax (703) 352-3678

[fff@fff.org](mailto:fff@fff.org) [www.fff.org](http://www.fff.org)

## **The Disastrous World of the New York Subway, Part 3**

**by Gregory Bresiger**

Government enterprise validates a kind of cult of failure, a cult that has stood human nature on its head and made incompetence a god. It is human nature to want to do well in anything, no less in business. Most owners risk much of their life's savings to start a business. That's even though there is a strong possibility of losses.

In the private sector, if you run in the red long enough you go out of business. I exempt from the private sector those pretend capitalists who always are looking for subsidies and special favors from some unit of government. The latter often include sports teams' owners and participants in the military-industrial complex. If market mechanisms are to work, there will inevitably be some failures. Yet, failure is something never allowed in the world of government enterprise.

So failure is necessary because it can be a vital teaching mechanism. The prospect of failure holds businesses accountable to an objective standard. If a business misses the standard for a certain period, then it dies. Maybe the entrepreneur has learned and will do better the next time. Maybe not. Still, it is a necessary process of trial and error that must be allowed to take its course despite some failures.

But government enterprise won't allow such a process. It memorializes failure.

Indeed, the forever-upbeat MTA reports always give themselves a failure exemption. They constantly argue that it is impossible for transit systems to make money today or even break even.

This is nonsense. The IRT made money through much of its existence, even though it operated under great handicaps — handicaps that led it to sell out because it would never be allowed to raise its fare. The Pennsylvania Railroad — before it was regulated and taxed to death — made regular dividend payments for more than a century. It was once as vital to our nation's economy as Microsoft is today.

For those who still believe in the greedy-subway-operators' view of history — and just about every subway historian I have read implicitly or explicitly supports this view — I have two questions: Would you accept the same rate of pay — uncorrected for inflation — over 36 years

(1904–1940)? Why did the golden period of the subway construction occur under private management?

### **Rising fares, unhappy riders**

Yet subway leadership, under the government-enterprise model, has not only raised the fares many times, but mulcted drivers and taxpayers — many of whom are disgruntled ex-subway riders — to pay for the city’s and region’s problematic public-transit system. All this has happened while the quantity and quality of service have declined. The system has, as we have seen, raised bond issues for specific purposes. Then the system’s leaders spent the money on other things. The system has received hundreds of millions of dollars in federal and state aid — maybe billions: there have been some scandals in the MTA over how it adds up the numbers — and still runs in the red almost every year. Indeed, despite all this additional revenue, the system, to quote the Orwellian language of the MTA reports, still has “gaps” and “structural imbalances.”

Government enterprise takes something that most people dislike and competitive people detest — failure — and certifies it as acceptable, if not good. Red ink and bad service become the norm, a norm that the riders don’t know what to do about. It wears them down and implicitly teaches them to accept the worst.

The worst is no longer the worst to veteran Amtrak and subway riders. It is business as usual. One must learn to bear with it. That’s because no one seems to know what to do about it or, if someone did, has no confidence that any effective action can be taken to make anyone accountable. The private sector, by contrast, holds everyone accountable through a system of profit and loss.

### **Exempt from criticism**

So we come to possibly the most insidious of all problems of government enterprise — its lack of accountability. Whom do we go to if we’re not happy with a government enterprise? Write a letter to the governor or another elected official? Many of the latter, bowing to the unions here, gave speeches supporting the recent illegal strike.

And your letter about subway problems? The official will tell you he sympathizes with you, then send the complaint to the MTA, a public authority whose members are anonymous. This is a deliberate way of ducking. Elected officials have set it up so they are often not accountable for the problems of many public services, which have been assigned to various public authorities. But after a while, even political officials get tired of the game. Michael Cohen, my former state assemblyman, two years ago told me he and others in the state legislature were upset with the MTA.

“We’re going to do something about it,” he insisted. But when I mentioned privatization, Cohen wasn’t interested. If he and other pols abolish the MTA, they would without a doubt

replace it with still another authority. That's how the MTA was born back in the 1960s. It was going to be the fix that would ensure the trains ran on time, just as the Nixon administration, a few years later, promised it would straighten out the problems of intercity railroad passenger service. Yet no one is accountable for keeping these promises. Nixon is long gone. The New York politicians of the 1960s and 1970s went on to other things. The dilapidated subways are still here.

Yet New York politicians, for example, want the MTA, or something approximating it, to take the heat. Back in the 1950s, the city had the responsibility for the subways. The mayor was accountable for the state of the system. So, if the fare went up or the service deteriorated, as it had always done under public ownership, the mayor risked losing the next election. But that was too dangerous for New York politicians — most of whom expect to be easily reelected in a de facto one-party Democratic town in which the Republicans, even when they get in, rarely support radical changes. (No major politician I know of has called for the privatization of the subways. And there are few members of Congress who actually want to sell Amtrak to the private sector. Amtrak has also had many friends among “free-market” Republicans in Congress.)

New York City's mayor, Michael Bloomberg, like so many other politicians before him, is angry with the transit workers' union. He's safe. He doesn't have to ride the subways. He can always blame government authorities or someone else for the dreadful state of the trains. It's a common strategy whenever things go wrong in government. Does anyone hold Congress or the Bush administration responsible for Amtrak's woeful condition? No. Amtrak's officials won't even take responsibility.

The need to cut costs is what everyone faces in the private sector. This is what every responsible individual faces at some time in his life.

But in the public sector, it is so much easier to pass on responsibilities. The other-guy-is-at-fault policy is popular with politicians as well as bureaucrats. It is a practice that continues to this day. Politicians rail at perfunctory fare-hike public hearings, blaming the MTA for every mess, while the fare goes up. How can they complain? These authorities are the creations of state and local governments. They are supposed to report to the same state and local governments.

“If anything has been demonstrated by modern experience in these matters,” F.A. Hayek wrote in 1960 of state agencies and commissions, “it is that, once wide coercive powers are given to government agencies for particular purposes, such powers cannot be effectively controlled by democratic assemblies.”

Indeed, 45 years later, Hayek's words still ring true.

Ultimately, the numerous mistakes of government enterprise repeat. That's because — pace Henry Ford — history matters and few people want to study history. After all, it is a subject that has been deemphasized in many public schools.

So mistakes happen again and again underground. It's *Groundhog Day* in the subways every day, whether there is a strike or not. And the more the government runs enterprises, the less accountable it is. The less accountable it is, the worse they become.

This is not a revelation to anyone with even a superficial knowledge of government enterprises. Some 60 years ago, one of the most insightful observers of socialism, Alexander Gray, wrote of the London Underground, "More and more the state interferes or controls; but the more it interferes and controls, the less does it show a disposition to accept ultimate responsibility."

I thought about who was in charge of my recent trip to Queens. My E-train finally got to Forest Hills. Only two more stops until I was free. That's because the motorman announced we would be going local and would stop at 75th Avenue. That's the stop before my station, Kew Gardens. Some passengers stayed on the train for 75th Avenue. They rose and prepared to depart. The train then passed their stop and went express for the first time that evening. I finally got off at Kew Gardens with a few frustrated 75th Avenue riders. It had been quite an evening on the New York City subways. And, in the shadow of a possible strike, I couldn't decide whether it would be worse to do without these egregious adventures underground or not. No one was offering the long-suffering and overtaxed subway riders of New York the logical alternative: Get the government out of the business of running trains or any transportation.

Government enterprise, I concluded, as I left the train as quickly as possible, should be assigned to the garbage bin of history. I hope that millions of New Yorkers, who were walking to New York on the day of the strike, felt the same way.

*Gregory Bresiger is a business writer living in Kew Gardens, New York.*

**This article was originally published in April 2006.**