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# The Politicians Still Don't Get It: The Corruption of Public Education

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THE NEW FACE OF CORRUPTION

The author traces our vulnerability to a subtle, new form of corruption to the progressivism movement in the early 20th century. It was then that an expanded role for government began to be seen as the way to broaden the scope of direct democracy and thereby address perceptions of inequality. “Unfortunately, progressives often failed to recognize how much of an expanded government would fall beneath the radar screen of the general public,” he wrote, “greatly weakening the theoretical accountability provided by direct democracy.” And even as the progressives continue to rationalize infinite government expansion, we are warned there will come a point where the mere size of the state overwhelms the limited number of vigilant souls needed to keep it in check. Indeed, we are there.

STALEY  
PAGE 3

A SUPERINTENDENT FINDS POLITICIANS BLIND TO SCHOOL REFORM

The author, a professor of education and former Indiana school superintendent, compares the positions of the two presidential candidates. He finds little to give education reformers hope that tax money raised for classroom teaching will be freed from the counterproductive demands of an irrelevant bureaucracy. And he fears that students will continue to pay the price until Hoosiers understand they cannot spend and regulate our schools into excellence.

ABBOTT  
PAGE 7

A LAWMAN TRIES TO SEPARATE THE BAD FROM THE GOOD

Updating the advice he got as a young deputy, the author warns that it is no longer just “money, women and booze” that corrupt public officials. More often, it is partisan political power. “Political alliances interfere, obstruct or obscure the mission of government in totality,” he writes. Even so, he believes there still are honest, serious men and women in law enforcement working to clean out the cobwebs of government. The question is whether there are enough of them.

SQUADRITO  
PAGE 10

A NEWSMAN REMEMBERS THE LESSON OF ‘PENDERGAST’S REVENGE’

More than 40 years in journalism, including research into machine politics, taught the author that corruption rides in on horses named “Best Intentions,” “Inarguable Good” and “The Right Man for the Job.” He warns that the real cost is lost liberty and that direct democracy in itself is no protection.

LADWIG  
PAGE 17

A PUBLIC-PRIVATE PARTNERSHIP GONE BAD

Two Indiana businessmen explain a vision for building the Northeast Indiana Public Safety Academy into a world-class model and how sudden political winds threw it off course. The authors dig deep into their experience to identify the steps needed to keep such a project focused on a community-wide goal. Their recommendations are two-fold: 1) Public safety must transcend politics; and 2) a business-like approach rather than a politically driven bureaucratic one is essential. “Overnight, an innovative idea representing six years of work by talented public and private experts was reduced to a shell,” said one, adding that “local governments for all their talk of creating jobs and furthering economic development, can only prosper in wholehearted cooperation with the private sector.”

ESHELMAN  
RUFFOLO  
PAGE 22

*The average Hoosier will be made to pay not only in the economy-wide distress of oppressive taxation but in lost opportunity and choice.*

*The New (Old) Corruption*

The economically minded among us, understanding how the Chris Dodds and the Barney Franks debased our financial system, make the argument that a state of corruption exists whenever a government grows too large to be monitored by democratic processes.

A wise observation, but the corruption that worried the lunch table was of a different sort the week of the Wall Street “bailout” debate.

Economic corruption means only the loss of money; Hoosiers can earn more money. What they cannot replace are the ideals, principles and words on which their state was founded.

The root, *corruptio*, contains the warning — something more complicated than mere stealing, a bad thing being switched for a good thing.

Examples are included throughout this journal. One of the most costly for Hoosiers is described by our Dr. Jeff Abbott. It is the switch that allows education dollars (\$11,000 a year per student) to be assigned to all manner of social fantasies other than classroom teaching, including simply hiring one’s union friends.

Even so, a far greater corruption will be on display in coming weeks. It is the substitution of politically defined factions for the historic primacy of the individual.

National and now state government, Republican or Democrat, routinely sacrifice individual opportunity for group results, inventing a “right,” an “equality or even a “reform” in the process.

*The Forgotten Man*

This switch, this corruption, can be tracked with algebraic precision using William Graham Sumner’s equation, “The Forgotten Man” (excerpted at left). And it

is a sad fact that there are but a handful of Indiana politicians with Sumner’s understanding of the true cost of the grandiose programs emanating from the Statehouse and, lately, our city halls.

The average Hoosier may prosper or may struggle. One thing is certain, however, he will be loudly portrayed by the politically ambitious as a helpless victim. And then — here comes the switcheroo — he will quietly be made to pay for his own salvation not only in the economy-wide distress of oppressive taxation but, again, in lost opportunity and choice.

Nationally, this will play out with depressing clarity in government’s assumption of banking functions, new schemes for socialized health care and more cooking of the Social Security books. (Environmental purity and energy perfection being mass hysterics in a category of their own.)

*Yes, a Journal of Liberal Opinion*

To make such corruption possible, it is necessary to confuse the very words we use to describe our freedom or, as the case may be, our slavery — “affordable” housing, “average” homeowner, community “organizer,” tax “reform,” a mother’s “choice,” economic “development,” budget “cuts,” funding “mechanisms,” American “citizen.”

The most ironic example is Sumner’s term itself. Within a generation, the “Forgotten Man” had been twisted to justify the New Deal’s massive shift of power to the government.

Today we are at the point where government functionaries sitting at desks — or worse, on Capitol Hill — are thought to know more about progress than do free citizens spending, saving and investing their own money.

All of which is why this publication insists on the archaic but historically accurate description, “a journal of classical *liberal* opinion.” It is a reminder to its editors that ego or convenience cannot overcome the truth in words.

For Confucius said something 2,000 years ago that appears on these pages with regularity: “When words lose their meaning, men lose their liberty.”

He could have said it yesterday.

— tcl

*The Forgotten Man*

*“As soon as (A) observes something which seems to him to be wrong, from which (X) is suffering, (A) talks it over with (B), and (A) and (B) then propose to get a law passed to remedy the evil and help (X). Their law always proposes to determine what (C) shall do for (X), or in the better case, what (A), (B) and (C) shall do for (X) . . . . What I want to do is to look up (C). I want to show you what manner of man he is. I call him the Forgotten Man. Perhaps the appellation is not strictly correct. He is the man who never is thought of. . . . He works, he votes, generally he prays — but he always pays . . . .”*

— William Graham Sumner, Yale University 1883  
(the title quote for *The Forgotten Man: A New History of the Great Depression* by Amity Shlaes).

# THE NEW FACE OF CORRUPTION

*Where Are You, Jake Gittes, Now that We Need You?*



by SAM STALEY

In the 1974 *film-noir*, “Chinatown,” the private investigator Jake Gittes uncovers a grand scheme within the Los Angeles Water Department to line the pockets of land developers.

The corrupt plot worked because the land developers were the former owners of a private water department that was sold to the city. Their influence helped manipulate the municipal water department, pouring valuable fresh water into the ocean and forcing farmers to sell their land. The department then would build a dam that would substantially increase the value of the formerly dry land, filling the coffers of not only the developers but the municipal water department.

More than any part of popular culture, “Chinatown” exemplifies government corruption in a modern economy governed by a democracy. It’s a far cry from the simple extortion in the patronage-filled halls of New York City’s Tammany Hall of the 1850s or even 1930s.

Of course, classic corruption that greases the palms of public officials still exists. This spring, 15 people including seven Chicago building inspectors were indicted on federal bribery charges. A year-long investigation revealed that building and zoning officials fast-tracked applications and falsified documents in exchange for cash and other benefits.

Yet, in the modern economy corruption increasingly takes on more subtle and sophisticated forms. In “Chinatown” again, those in charge of the water department conspired with land developers to manipulate real-estate prices in subtle ways. The conspirators expected a long-term payoff as a market for land adjusted to new conditions, most notably water from a new dam and water system in a desert.

Water, in a desert, drives up property values as new land uses become suitable for human habitation and agriculture.

## *Defining Corruption*

Corruption is easy to identify in a movie. After all, scandal is scripted. In “Chinatown,” Noah Cross and his greedy business partners worked with the city-owned water department to induce a drought, devaluing farmland and forcing farmers off their land. Then, Cross gobbled up the land on the cheap knowing it would be valuable when water eventually was diverted into the farmland from the new dam.

In the real world, however, a different type of public corruption can be much harder to detect because it doesn’t fit the mold of a classic bribe. Money doesn’t always change hands, and public officials today, as the Wall Street “bailout” debate made clear, are as likely to barter to increase their influence as line their pockets (or checking accounts).

As governments on all levels become increasingly pervasive in most aspects of the economy and community, corruption can take on less obvious but equally destructive forms. Public ethics has not yet changed to reflect this more sophisticated form.

## *Corruption in the New Economy*

Progressivism in the early 20th century sought an expanded role for government as a way to address the perception of growing income inequality and to broaden the scope of direct democracy. A larger role for public welfare and legal support for collective bargaining were important components of such government. More broadly, progressives advocated for direct

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Samuel R. Staley, Ph.D., is an adjunct scholar who has been commissioned to conduct more than a dozen studies of Indiana government, including a recent study for an interim legislative commission that assessed the corrupting effects of government consolidation. Dr. Staley, who lives in Dayton, Ohio, is director of urban and land-use policy for the Reason Foundation and teaches urban economics at the University of Dayton.

## THE COVER

*Agreements and deals that compromise the integrity of government's responsibility to safeguard the public interest, broadly and narrowly defined, can occur under the bright light of state sunshine laws if no one is there to hold public officials and others accountable.*

democracy through both the election of citizens and an expanded government role in providing public services and regulating private activity. Implicitly, the progressive movement supported more centralized government administered by professionals who, at least in theory, would be separated from the push and pull of special interests. Progressivism was both a reaction to the economic changes wrought by the industrial revolution and the excesses of patronage in city halls and state houses across the nation.

Few progressive reformers, however, pondered the ways that public ethics might be challenged by this expanded form of direct democracy. Many assumed that direct democracy would provide the accountability necessary to ensure the decisions of state and local governments were in fact serving the public interest. They believed that professional public administrators would provide the transparency and information necessary to enable accountability at the ballot box.

Unfortunately, progressives often failed to recognize how much of an expanded government would fall beneath the radar screen of the general public, greatly weakening the theoretical accountability provided by direct democracy. Meetings of school boards, planning commissions, township boards, city councils and county commissions are notable for the emptiness of the rooms during deliberations over matters both simple and complex. Of course, most governance is mundane and routine, and there is a limited number of souls hardy enough to attend these meetings with the vigilance necessary to provide meaningful accountability.

Yet, the mundane character of most real-world governance often creates a convenient mask for more substantive deliberations that create opportunities for corruption. Agreements and deals that compromise the integrity of government's responsibility to safeguard the public interest, broadly and narrowly defined, can occur under the bright light of state sunshine laws if no one is there to hold public officials and others accountable.

Moreover, corruption itself may be less a discrete activity or deal than an incremental progression that unfolds over years and sometimes decades. The

progressive abuse of eminent domain, government's authority to seize private property, is a case in point. The U.S. Supreme Court effectively gave state and local governments a blank check to take private property, even if the direct beneficiary is another private property owner, as long as eminent domain is used for an officially designated "public use." Public use, the Court said in the landmark case *Kelo vs. City of New London*, could be defined as broadly as the state or local government might want if the condemnation took place within a development plan approved by the local government. The lower courts could not review the substance of the plans, or the players; rather, they could simply determine whether the plan went through the right number of public hearings and procedures specified by state and local law.

The public reaction was deep. Forty-two states, including Indiana, enacted eminent domain reform laws to rein in the power of governments to seize private property, according to the Institute for Justice, a public-interest law firm in Washington, D.C. In Indiana, H.B. 1010 passed the General Assembly in 2006 (and was modified again in 2008) to more clearly define a public use and specify procedures for condemnation. More importantly, perhaps, the state's eminent-domain law explicitly says that increasing the tax base is not a justification for eminent domain. Property can be seized if it presents a threat to public health and safety, or is a public nuisance, but public agencies cannot seize property simply by declaring a government-approved use as a public use (the implication left by *Kelo*).

Notably, these reforms weren't merely cosmetic. In the Institute for Justice's path-breaking report "Public Power, Private Gain," attorney Dana Berliner chronicled 55 instances between 1998 and 2002 where eminent domain was used or threatened to facilitate private development in Indiana. Five projects in Fort Wayne, Indianapolis, Mishawaka and South Bend used eminent domain, or threatened its use, to seize property and to force property owners to the bargaining table to sell their property at lower prices and benefit private development. After *Kelo*, the city

of Evansville put 10 properties on its site-acquisition list for future development, according to the Institute's follow-up report, "Opening the Floodgates." Many of these projects are no longer possible in Indiana under the reforms enacted as part of H.B. 1010.

While the political backlash from Kelo resulted in substantive changes in 42 state laws, most actions by state and local governments do not receive similar levels of scrutiny. On the contrary, even in Indiana, a controversial U.S. Supreme Court case on a project in faraway New London, Connecticut, was necessary to generate the public scrutiny required to achieve meaningful reform.

Indeed, most state and local government decisions and actions are far from the public spotlight, providing more and more opportunities for corruption as the scope of government involvement expands.

#### *The Changing Character of Corruption*

The nature of this corruption is fundamentally different than in the past. As the number of programs and initiatives sponsored by government increase, and its regulatory reach becomes more embedded in private decision-making, the potential for using the public process to extract unreasonable concessions from the general public expands as well. The scope of local government's power to use eminent domain expanded incrementally, with the complicity of a private sector that is supposed to be the watchdog for government abuse.

The original intent of eminent domain was to facilitate the acquisition of private property for narrowly defined public uses — roads, county courthouses, jails, public schools, *etc.* Over time, the concept of public use expanded to include public and private utilities, including grain mills and railroads in the 19th century and electric utilities in the 20th century. In the 1940s and 1950s, the removal of urban blight and other nuisances was defined as a public use. Then, in the 1980s, courts began interpreting public use even more broadly to mean public benefit, embracing the general goal of economic development as a meaningful public use justifying the seizure of private property.

Where were the public watchdogs? A few property-rights groups had eminent domain on their radar screen (*e.g.*, this foundation, the Institute for Justice, the Pacific Legal Foundation and state-level grassroots property-rights associations). Most of the general public, however, was unaware of the extent government's power had expanded. Most of the victims, in fact, were individuals without the capability of defending themselves. City coffers were much deeper than the low-income households living in the neighborhoods targeted as redevelopment projects.

A case in Indianapolis may best exemplify the problems inherent in these kinds of government projects. Bob Parker, according to the Institute for Justice, was a land developer who began assembling property for the purpose of launching an industrial park. Meanwhile, the City of Indianapolis had a similar idea, hatching the idea of the 80-acre Keystone Enterprise Park. The city condemned Parker's land when he refused to sell.

Parker estimated the market value of his 10 acres was close to \$3.8 million. The city offered \$350,000, a price at which Parker understandably balked. When Parker tried to prevent the taking of his property, the Indiana courts sided with the city.

It should be becoming clear that many of those in the best position to be watchdogs are also the ones most likely to benefit from the process. After all, who was going to locate in the Keystone Enterprise Park? The answer is other private companies who now had a vested interest in seeing Parker's property taken. Four private businesses currently occupy the industrial park: Commercial Food Systems, Mid-State Chemical, Tri-State Bearing and Indiana Reclamation and Excavating (IRE, Inc.).

The author has no evidence these businesses were connected to the eminent-domain action against Bob Parker — but that's the point. As beneficiaries of the government program, few people have incentives to defend programs and government actions that target other private-property owners, let alone potential competitors.

These conflicts may be even more evident in the State of Indiana's business development programs. The Indiana

*The scope of local government's power to use eminent domain expanded incrementally with the complicity of a private sector that is supposed to be the watchdog for government abuse.*

*The ability to hold government accountable is weakened by two other practical features of local governments: First, those that don't benefit directly may well believe they could benefit in the future. Second, most citizens simply don't, or can't, provide the kind of due-diligence accountability necessary under an increasingly broad and activist government.*



*"The ultimate result of shielding men from the effects of folly is a world filled with fools."  
(Herbert Spencer)*

Economic Development Commission reports that it has directly assisted 158 companies. It claims its programs have contributed to the creation or retention of 22,627 jobs in 2007 alone. The investment by these companies in Indiana represented \$3.4 billion. The number of deals with private firms has almost doubled, and the number of jobs tied to these programs has more than doubled since 2004. Yet, the success of the program means more people and businesses in Indiana depend on the availability of government assistance, whether through direct subsidy or regulatory streamlining, for their own success, blurring the lines between public and private interest. Inevitably, this undermines their ability to be effective watchdogs.

Not surprisingly, the types of assistance the state now provides firms in Indiana have proliferated along with the number of industries targeted for assistance. The state targets and is trying to nurture nine separate industries or types of businesses: advanced manufacturing, agriculture, film, information technology, insurance, life sciences (biotechnology), logistics and motor sports. The state currently targets grant programs to fund technology companies to diversify the economy as well as promote industrial development. A grant program targets small businesses, channeling state funds into firms that want a leg up on moving their products into the commercial market. Other programs include workforce training, technology certification and six different tax-credit programs.

The influence of the state programs exceeds the direct beneficiaries of the 19 separate state-level economic development programs. TechPoint, an association of technology companies supported by the Indiana Economic Development Commission, has grown to 400 members. The state's Small Business Development Center has 11 regional centers that in 2007 advised and otherwise assisted 2,700 entrepreneurs. The state also created the Indiana Economic Development Foundation which solicits donations from the business community. Its 2007 budget of \$847,239 included contributions from

cities, colleges and universities and for-profit private businesses.

*Conclusion*

Given the wide reach of government, either through regulation or outright assistance, the scope for dissent or accountability for government programs and largesse is seriously weakened. The professionally administered government lauded by progressives a century ago neglected to consider a public choice version of "moral hazard."

In insurance and investment, moral hazard is the tendency to underestimate risks by those who do not bear the full consequences of making a mistake. In the case of government corruption, the watchdogs are feeding off the bones handed out by the people they are supposed to be watching. The tendency is for those who benefit from government programs to encourage their expansion.

The ability to hold government accountable is weakened by two other practical features of local governments:

First, those that don't benefit directly may well believe they could benefit in the future. Thus, they are less likely to rein in programs or initiatives that are wasteful or erode civil liberties if they believe they might want to tap into them.

Second, most citizens simply don't, or can't, provide the kind of due-diligence accountability necessary under an increasingly broad and activist government. Following the actions and activities of dozens of boards, commissions and agencies is a daunting task. Moreover, such effort offers little benefit given the implicit trade-offs involved with family, work and other social relationships.

Again, corruption in a modern democracy is far more subtle and complex than the images that appear in popular culture or conventional conceptions of historical graft. An expansive government, deeply and broadly vested in regulatory as well as fiscal authority, is an invitation to deals, negotiations and agreements that blur the line between public and private interest. As public and private interest become one, with little or no independent constraint on local governance, the weakening of the institutions that support honest governance may be inevitable. Q

# THE POLITICIANS STILL DON'T GET IT

*The Corruption of Public Education*

by JEFF H. ABBOTT

Many Hoosiers believe the nation's public-education system is broken and in need of repair. John McCain joined the chorus of critics by announcing "the deplorable status of preparation for our children . . ." and declared that public schools are "safe havens for the uninspired and unaccountable." Barack Obama lamented that "I don't want to send another generation of American children to failing schools."

What the two presidential candidates apparently failed to understand was that it is the governance system of public education that is broken. It is broken to the point of corruption, raising money in the name of students but actually funding the army of bureaucrats necessary to monitor thousands of regulations and schemes that are a drag on public education.

The responsibility for this governance system does not lie on the backs of Indiana's hardworking teachers and principals. The responsibility for Indiana's broken governance system of public education is on the shoulders of the U.S. Congress and the Indiana General Assembly.

Although the president of the United States is not constitutionally responsible for the governing and improvement of public education, he or she can have a huge impact on the vision of our country. Those views and policies are critical to improvement by the public schools with the president exerting a strong influence over state and federal legislators.

The problem is that Indiana's state and federal policy-makers have not yet begun to comprehend that Indiana schools are over-regulated and over-politicized, a situation that inhibits innovation and creativity by Indiana's teachers and principals. Heavy regulation and the incessant presence of politics in schools also do not set an environment that helps create willingness by school staff to try new strategies and techniques to improve learning.

Any work environment needs to encourage risk-taking if the organization is to improve. If school employees are encouraged to perpetuate the *status quo* because they have learned that they are often punished for failure and seldom rewarded for successes, they will act accordingly.

Unfortunately, the culture of Indiana public schools is to avoid mistakes and failures at the sacrifice of creativity and innovation. This produces mediocre schools despite highly qualified and able teachers and principals.

Meanwhile, the Indiana public-school governance system continues to be in need of repair. Indiana's public schools will suffer mediocrity until state and federal policy-makers recognize that the nation's public schools will not likely improve until they are deregulated and de-politicized.

Would either presidential candidate deregulate and de-politicize public education in America? Not likely.

*The culture of Indiana public schools is to avoid mistakes and failures at the sacrifice of creativity and innovation. This produces mediocre schools despite highly qualified and able teachers and principals.*



Jeff H. Abbott, J.D., Ph.D., is an adjunct scholar of the foundation and the project manager of its education-reform efforts. Dr. Abbott, a former Indiana public-school superintendent, teaches in the Education Department at Indiana University-Purdue University Fort Wayne.



## THE COVER

*Obama argued that it was time for “rethinking the factory model” and encourages schools “to organize themselves for greater success. . . .” However, no mention was made of deregulating or de-politicizing.*

The answer to this question is based upon each candidate’s policy statements that appeared on their web sites. Each candidate presented his best spin on the issues. Much of the spin is general, of course, so positions can change when the successful candidate takes office.

Both candidates left unstated much of the details of their education policy. Despite this tendency toward ambiguity, however, reading the education policy statements yielded an understanding of the candidates’ thinking and helped predict the policies that might result from their election.

McCain education policy statements failed to make any mention of de-politicizing public schools. Since no mention of the problem of excessive politicization of public schools is acknowledged by McCain in his educational policy statements, it can be presumed he does not recognize this as an important issue. Thus, under a McCain administration, schools would likely to continue to be buffeted by political winds.

Nor is there much hope under a McCain administration that public education will be deregulated. His introductory policy statement claimed that his education policy “removes needless bureaucracy. . . .”

When the McCain education policy is examined, however, there is no mention of how his policy removes needless bureaucracy.

McCain proposes that providers of tutoring services could “bypass the local bureaucracy” and receive direct federal certification. The “local bureaucracy” to which McCain refers is the local school board. His idea, then, of removing “needless bureaucracy” is to remove decision-making from local officials and give the federal government that power.

At the same time, there is no mention in his education policy that there is excessive federal regulation of public schools. Thus, we can expect that the federal government would continue to regulate Indiana public schools under a McCain administration.

McCain argued for empowerment of teachers and principals. However, he fails to describe how he would empower teachers, and his only mention of empowerment of

principals is his desire to give principals greater control over school spending.

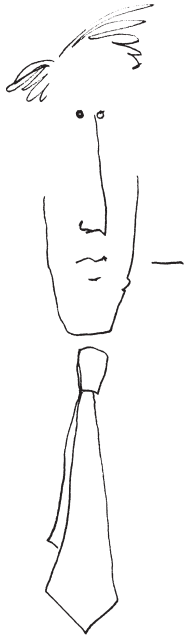
Perhaps McCain’s idea of removing needless bureaucracy was to empower parents, presumably allowing them to choose private schools at taxpayer expense or to create online tutors and virtual schools to compete with the public schools. It appeared a President McCain might well intend to remove “needless bureaucracy” by eliminating the public schools altogether — not a serious proposal in the current educational or political environment.

Obama argued that it was time for “rethinking the factory model” and encourages schools “to organize themselves for greater success. . . .” However, no mention was made of deregulating or de-politicizing the nation’s public schools. In fact, Obama’s approach to public-education reform was to develop new federal government programs and expand others. This, of course, would require even more regulation of Indiana public schools by the federal government.

In fact, Obama proposed 17 new federal initiatives, the expansion of 10 current federal programs and the reallocation of funds for another federal program. McCain proposed two new federal programs, the expansion of one current federal program and the reallocation of funds from four federal programs. McCain’s increased spending would be \$507 million. Obama admitted that his proposals would increase spending on his public-education initiatives to \$18 billion per year, more than 35 times greater than McCain’s.

To summarize, voters were left with the choice of: 1) Electing a president who would prefer to not do much of anything for public education, and, apparently would prefer an impractical promise to privatize education; or 2) a free-spending president who believes schools need more federal programs and federal spending to improve.

But is either candidate’s view acceptable as a strategy of education reform? Is turning over the public schools to private for-profit companies the answer? Or is the federal government taking over more and more responsibility to fund and control public schools the answer?



*“If liberty means anything at all, it means the right to tell people what they do not want to hear.”*  
(George Orwell)

The answer to both questions is a resounding “no.”

Whatever their disappointment, most Hoosiers are not to a point they have entirely given up on the public schools. The majority is not ready to turn over a more than 200-year-old system of public education to for-profit companies.

One reason is a fear, founded or not, that private companies will sacrifice the needs of children for the sake of profits. On the other hand, most Indiana citizens do not want the federal government to assume all control over local public schools. The history of local control is long-standing. Public education is shaped by the local political philosophy as well as the social and cultural traditions of the people who are governed.

Even so, more and more Indiana voters are looking to the federal government to solve their economic problems. This is why the Obama education policy may have seemed more palatable to many Hoosiers — at least to those who are in the habit of expecting the federal government to solve their problems.

However, with more new federal programs there come a boatload of federal regulations to govern these programs.

In conclusion, those Indiana voters who believed that mandates and laws were the best way to govern would have voted for Obama. If, however, they wanted to

dismantle public education they would have voted for McCain.

Unfortunately, neither candidate wants to turn over the responsibility to govern public schools to those closest to the children — teachers and school principals.

But why not? Why don't they place the responsibility to improve public education on the shoulders of teachers and principals, and then hold them accountable for their decisions? Why does government not trust them to do what's best for students?

The answers may be simple: If politicians did turn over such responsibility, they would lose the opportunity to propose “quick fixes” each election cycle.

That may explain why both candidates overlooked a simple formula for improving public schooling: (teacher and principal authority) + (teacher and principal accountability) = (excellent schools).

Until a president realizes that teachers and principals are the key to education improvement, and that these professionals must have the right to exercise their judgment in a deregulated, de-politicized environment free of institutional corruption, America's public school performance will lag. And until a president uses the office to convince Americans that you can't spend or regulate the public schools into excellence, another generation of students will suffer. Q

*Both presidential candidates overlooked a simple formula for improving public schooling: (teacher and principal authority) + (teacher and principal accountability) = (excellent schools).*

## NARCISSISM WATCH

### *OK, But Why Not Make It for \$7 Billion?*

“In 1979, Bill McGill walked into a bank in Fremont, Ohio, handed the teller a \$1,500 check made out to ‘the poor people of America,’ and spent the next 13 months in jail. The intent wasn't robbery, said McGill (expected to lead the Fort Wayne NAACP), but to dramatize the ‘unfair distribution of wealth.’”

— “Fresh View for NAACP,” by Kevin Leininger in the Sept. 16, 2008, *Fort Wayne News-Sentinel*

### *Toward a Perfect World*

“An Israeli city is using DNA (deoxyribonucleic acid) analysis of dog droppings to reward and punish pet owners. Under a six-month trial programme launched this week, the city of Petah Tikva, a suburb of Tel Aviv, is asking dog owners to take their animal to a municipal veterinarian, who then swabs its mouth and collects DNA. The city will use the DNA database it is building to match faeces to a registered dog and identify its owner.” — *Reuters, Sept. 16, 2008*

## A DEPUTY'S NOTEBOOK

*An Indiana Lawman Tries  
To Separate the Bad from the Good*

*“Gentlemen, there are two things that will get you fired on this job — one of them comes in a bottle and the other comes in a skirt.”*

— The late First Sergeant Joseph Flynn  
of the Indiana Law Enforcement Academy

by JOE SQUADRITO

As a young probationary police officer I had the privilege of attending the charter-pilot class of the Indiana Law Enforcement Academy. This first class was held at Indiana Central College, which was then a Quaker institution, but is now the University of Indianapolis.

The class was composed of young men in their early 20s who had either just completed military service or college. Our drill instructor was a big, barrel-chested, red-headed Irishman named Joseph Flynn. Joe was a former Marine who held the rank of First Sergeant with the Indiana State Police. Joe was twice our age but could out-run, out-shoot, out-fight and, at times, out-yell the entire class.

As we stood in formation that hot, steamy Sunday afternoon, First Sergeant Flynn explained that because this was the charter class, each of us had been selected by the commandant. He went on to explain that some local officials were putting pressure on their state representatives to disapprove legislation creating a state training academy as they did not want to loosen their grasp on the political power local academies generated. Sergeant

Flynn explained that upon graduation it was anticipated that we would be the models and salesmen for the Indiana Law Enforcement Academy.

Since our legislators only met biannually it was critical that House Bill 1056 (Academy Legislation) be enacted in the coming session. It was apparent that Sergeant Flynn didn't have much use for politicians, regardless of their office or jurisdiction. Each morning thereafter, once open-ranks inspection was completed, Sergeant Flynn would give us a brief synopsis of the previous day's academic studies. Most of the time Joe could condense eight hours of lecture into five short sentences or less, and his verbal expressions usually put a smile on our faces. During one of our final weeks in training we received 20 hours of instruction on "Ethics in Law Enforcement, Professional Conduct and Official Corruption." Standing in formation, before dawn, in the pouring rain, Sergeant Flynn summarized 20 hours of lectures into one sentence that I'll always remember: "Gentlemen, there are two things that will get you fired on this job — one of them comes in a bottle and the other comes in a skirt."



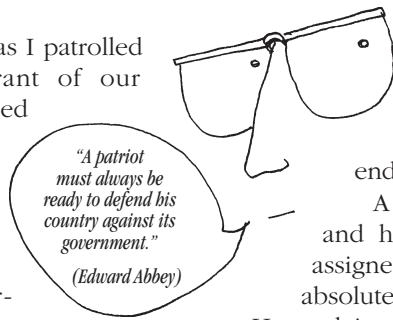
*Joe Squadrito, a founding member and a custom carpenter in Fort Wayne, is formerly sheriff of Allen County. Earlier in his career, the author was the principle investigator in several high-profile cases, including one that forced a Fort Wayne mayor from office.*

A year or so later, as I patrolled the northeast quadrant of our county, I was summoned to the Sheriff's office, and informed that I was being temporarily assigned to the Law Enforcement Academy. By inter-agency agreement I was going to be the Drill Instructor at Indiana University, Bloomington. I knew even before I reported for duty that I could never fill Joe Flynn's shoes — but I was proud to be a part of training new recruits.

I was proud, too, that the efforts of the charter class had paid off. The enabling legislation was signed into law and today a vast new campus situated in Plainfield houses the Indiana Law Enforcement Academy.

At the commencement ceremonies for the 100th academy class, all members of the charter class were invited back for recognition. Some 25 years had now passed. Fifty chairs, each with a name placard, were set in front of the dais. All but eight chairs were vacant. Some of my classmates had passed away, two were killed in the line of duty, and many more had retired or moved away. First Sergeant Joseph Flynn had suffered a severe stroke and was confined to a nursing home in Martinsville. As part of the governor's keynote address he asked the eight members present to stand. He thanked us on behalf of the state for all that we had accomplished for law enforcement and for bringing the academy to its proper place in Indiana's history. Of the 50 men who graduated, 16 became police chiefs or assistant chiefs, 10 became sheriffs, four became federal officers and four others became lawyers. As the ceremony drew to a close I walked the rows of vacant chairs, looking at the name placards and trying to put a face with them. At the end of the very last row was a placard which read "First Sergeant Joseph Flynn, Indiana State Police."

Upon completing the academy I returned to patrol duties and remained there for another seven years. I was happy to be chasing tail lights and bad guys. The officers on my squad were young, smart and effective. Although deadly serious, it



was a game with us and our side was winning. All this was about to change and my happy days would end abruptly in January 1975.

A new sheriff had taken office and he informed me that being assigned to traffic division was an absolute waste of my talent and skill. He explained that he wanted to start an Internal Affairs division, and because I had a reputation as a stickler for detail, the general staff thought I should fill this spot. I thanked him for his compliment and promptly refused, claiming I was happy where I was. He explained that our regulations permitted him to assign me if the need could be demonstrated as it related to the mission of the agency. However, the move could not be punitive and had to be approved by the Merit Board in 30-day intervals. (Essentially, the sheriff could keep me there for the remainder of my career in 30-day increments.) Finally, after an hour of haggling it was agreed that I would get the division up and on its feet and then return to my previous position. As I turned to leave he advised me that the new attorney assigned to staff would be assigned to Internal Affairs unless I thought otherwise. I didn't much care for lawyers, but this young man seemed knowledgeable.

Internal Affairs was something new in the mid-1970s. Essentially, it entailed investigating complaints of misconduct by police officers. Historically, the Chief of Detectives handled these investigations, but in the late '60s and '70s newly enacted civil rights laws turned the number of investigations into a full-time job. Under the rules of administrative law, and because the police hold a public trust, they are compelled to answer questions related to the performance of their duties or fitness for duty.

I spent 12 years in this position and each time I thought about returning to patrol duties some major case would pop up and my sense of devotion precluded my submitting the necessary forms.

Almost all of the cases resulted in exoneration for the officers involved. The remainder involved minor infractions which either resulted in admonishments or days off without pay. Few were career-

*Fifty chairs, each with a name placard, were set in front of the dais. All but eight were vacant. Some of my classmates had passed away, two were killed in the line of duty, and many more had retired or moved away.*

## THE COVER

*The law required that any purchase exceeding a set dollar amount had to be advertised for competitive bid. The way around this was to spend lesser amounts than required by law, but to place several orders — the open purchase order became a blank check and the amount involved far exceeded the bidding rules.*

busters but some led me to the doors of political scoundrels.

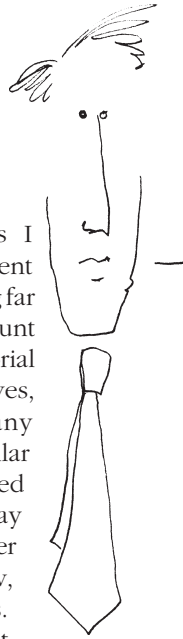
### *"I'll Have You Fired"*

One of the first cases I investigated was a government institution that was spending far more than the allotted amount of its annual budget on janitorial supplies. As memory serves, the law required that any purchase exceeding a set dollar amount had to be advertised for competitive bid. The way around this was to spend lesser amounts than required by law, but to place several orders. In this particular instance it was called an "open purchase order" by the parties involved. However, the open purchase order became a blank check and the amount involved far exceeded the bidding rules.

This matter only came to light as the new director of the institution was reviewing the ledgers in May and discovered large expenditures had depleted all of the funds in that account for the entire year. When he checked the purchase orders involved he found that only one supplier was involved. The director immediately requested an independent investigation and my superior assigned the matter to me. In turn I solicited the help of accountants so as to ensure that should this turn into a criminal matter the dollar amounts would be accurate.

Within a few days the accountants who exclusively handled public funds advised me that this practice was a political thank-you that had gone on in government for decades. They didn't see much of it anymore but it was the way the political party in power repaid a company or its principals for their support. Usually, no theft or embezzlement was involved; it was just a bad practice that stopped or should have stopped years ago.

When I interviewed the company officer he quickly advised me that this was his account and had been for years. He also explained that he wasn't going to allow anyone to take it away. I remained silent, listening. Listening to his political alliances. Listening to his fraternal alliances and



listening to the names of those with whom he golfed. Finally, he advised me that he was a good friend of my boss and he'd have me fired or at least back pounding a beat if he lost this account because of my snooping.

*"When the facts change, I change my mind."  
(Keynes)*

We could never document any kickbacks or payoffs between the chief custodian and the vendor. In fact I doubt that the custodian even knew what he was doing was wrong — he just picked up where the previous custodian had left off upon retirement. However, since the new custodian was an at-will employee, he was summarily dismissed for incompetence. The political subdivision involved changed all of its purchasing procedures. The company involved was prohibited from doing business with the political subdivision for several years. While we found no criminal wrong-doing we did find that the unit price per some items was excessive. The company quickly reimbursed the amount involved.

By regulation my agency was prohibited, absent manifest injustice, from interfering with the disposition of a case or an individual involved. My job was to investigate and provide the facts to the proper authorities and not the disposition of the matter. I say this for two reasons: In almost every case the politicians always seemed to have a scapegoat or fall guy. The second reason is I didn't think the custodian should have been dismissed

### *See no Evil*

The sheriff of a small jurisdiction contacted my superior and requested mutual assistance in a matter which caused him great concern. It seemed that for the first time he could remember there was friction between his agency and a municipal agency in his jurisdiction.

Whatever it was had reached a boiling point and he feared that it could endanger the mission of both agencies. Neither he nor the police chief of the municipality could get to the bottom of it. Rumors were running wild and both department heads were afraid the media would get the story.

After several hours of questioning one of the sheriff's officers explained that within his jurisdiction there was an enormous warehouse and shipping terminal. The place was large and operated 24 hours a day, seven days a week. Two and sometimes three agencies responded to alarms or incidents at the facility. During one such alarm response, sheriff's units arrived several minutes after police officers had. Upon entering the section of the building from which the alarm was emanating, they found one police officer pilfering a parcel. This was not only criminal, but in police circles, viewed as lower than low and an argument ensued which resulted in a pushing match. A second

police officer rounded an aisle and also observed the incident. His involvement with this young officer was rather severe. It was later learned that similar incidents had taken place previously and although it was known throughout both agencies nothing was reported. Rogue cops are usually shunned and find themselves isolated and harassed until they either resign or are fired. In this particular case, more out of embarrassment, both agencies were avoiding one another except in emergencies.

Protocol required that I contact the chief of the municipality involved and advise him of the situation. Since the police chief was not available, the sheriff contacted

*The mayor explained that the items taken were small and the business would never realize the loss. He also stated that he had an election to deal with and didn't need me making any problems for him.*

### *The Historian and the Prime Minister*

What should government do? I am tempted to write: 'As little as possible.' But this is not true. There are times when government should do a lot in certain areas— but these areas are few. I used to say to Prime Minister Margaret Thatcher: 'There are three things a government must handle, for no one else can: external defense, internal order and maintaining an honest currency.'

She was impressed by this dictum, to the point that she opened her capacious handbag, took out her pen — along with the notebook she kept for such purposes — and wrote it down. I added: 'Of course, a government can — and occasionally ought to — do all kinds of things. But the more additional things it takes on, the more likely it is that it will neglect the three "musts." And the one most likely to be neglected is the currency. Do-everything governments nearly always allow inflation to gain a hold.' In Britain for the last 11 years we've had a classic and lamentable case of do-everything government. The statistics covering its meddling are almost unbelievable. During this period it has enacted more than 20,000 new laws, dealing with the most minute activities of individuals and businesses. This legislative frenzy is accelerating. During Gordon Brown's first year in power nearly 3,000 new laws were put in force — something of which he is very proud! He's been heard to refer to the productivity of Parliament, as though the number of laws passed, irrespective of their necessity or wisdom, is the sole criterion. One proposed law will force retailers to charge customers for single-use bags, paper or plastic.

As a result of such nonsense, all three of government's real tasks have been neglected.

- External defense has broken down, in that legal and illegal immigrants have been getting into Britain virtually at will.
- Internal order is crumbling, too, as it's not only governments that tend to neglect essentials if they take on too much. The police now have so many laws to enforce that they're beginning to neglect the primary tasks of protecting life and property.
- Keeping an honest currency has also been pushed aside. Most laws cost public money. New Labour's 20,000-odd new laws have made utter nonsense of the government's restrictions on spending.

— "Let Economies Cure Themselves," the historian Paul Johnson in the Sept. 1 Forbes Magazine

## THE COVER

*A young, single mother was going to be the fall gal, and what was to be a major case would turn out to be a negotiated plea deal involving only this young lady.*

the mayor. In frustration the sheriff handed me the phone and explained that the mayor was furious with him and wanted this matter dropped and any reports shredded.

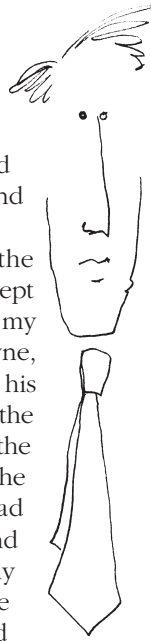
My conversation with the mayor was much the same, except he demanded that I get in my car and return to Fort Wayne, and keep my nose out of his business. He explained that the items taken were small and the business would never realize the loss. He also stated that he had an election to deal with and didn't need me making any problems for him. In a polite but firm manner I explained that my report would be sent to the proper authorities and his interference could have grave consequences. To my surprise his only response was, "Big deal. This isn't Fort Wayne, and we deal with things differently here. So write your report, big shot. I couldn't care less."

I returned to my office and submitted my report to the agencies involved. A few days later the sheriff called and advised that the officer involved was fired by the police chief. The mayor then fired the police chief (reduced in rank to officer), and the mayor's primary opponent was having a field day.

### *Button, Button, Who's Got the Button?*

During a routine audit, a large sum of money was missing from a certain account. The auditors explained that they had no evidence of theft and it was possible the amount involved may have been entered improperly into another account. However their preliminary review found that some funds had been spent in excess of amounts permitted for *per diem* and travel. In addition there were strong indications that the internal accounting was so poorly recorded that following the trail would be difficult and time-consuming.

Since this was an outside agency, written authorization with a political disclaimer would have to be received by my superior. A few days later the prosecutor of that jurisdiction was meeting with my superior and the formal request and disclaimer were received.



I met with the prosecutor who cautioned me that since an elected official and an appointed department head

*"Let us bear of the dignity of man's nature, and the noble rank he holds among the works of God."  
(John Adams)*

could be involved, the matter must be handled with absolute propriety. I provided him with our agency's regulations regarding this type of investigation and after reviewing them, his only response was, "Excellent, excellent. Do you mind if I keep these?"

This young prosecutor had a great future ahead of him and was regarded as a shooting star in his jurisdiction. However, he also had a reputation of being more politician than prosecutor, and a bit too ambitious politically for some people. I had some reservations about this individual as well. When I finally asked who my contact person was in his office, he insisted that it be him and only him.

Over the next few days I met with the auditors in an attempt to plan our investigation. This essentially involved which receipts were attributed to which individuals, and how much money was involved. The next day I was going to present my investigative strategy to the prosecutor. I was absolutely stunned to find that he had assigned the case to a deputy prosecutor.

I had met this young man once before at a regional training session and during that brief meeting he was very pleasant. However, as I began briefing him I could tell by his language that he was upset. He explained that with the exception of the secretary the prosecutor had granted everyone else immunity.

This obviously threw the case for a loop. What was most unsettling was that no one knew of this change except the deputy prosecutor. When I tried to talk to the prosecutor about the matter I was told to make an appointment.

Although my job was to compile the facts and present them to the prosecutor for his disposition his actions protected those ultimately responsible and focused the blame on the secretary.

While she did keep sloppy books and failed to make timely bank deposits, she did

not enjoy lavish travel accommodations, meals and drinks. Essentially this young, single mother was going to be the fall gal, and what was to be a major case would turn out to be a negotiated plea deal involving only this young lady.

Upon presenting my completed case I had no more to do with the matter. The deputy prosecutor resigned his position the very day we discussed the situation. The young secretary moved on and the prosecutor went on to a higher office. Unfortunately, there was nowhere else to take the case. It involved state law and in such cases the prosecutor has sole discretion.

### Way Down Yonder

While attending a two-week seminar at the Southern Police Institute I had occasion to befriend a state police captain from the deep South. The course of study involved police misconduct and official corruption

During dinner one evening we began discussing case load and procedures He explained that until recently he had been a district commander in the central part of his state and that the new governor had campaigned on cleaning up the long-standing history of corruption there.

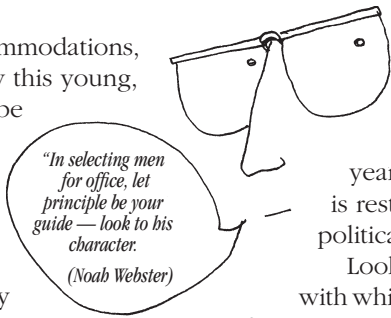
He was selected to head a special unit of state officers, accountants and lawyers under his state's attorney general solely dedicated to investigating and prosecuting official corruption. I inquired as to just how bad it was and he said something I'll always remember:

"Well, down South we like our politicians a little bit dirty. In fact you can't even make it through the primary unless you've been indicted at least twice."

Several years later I read that this reform governor was indicted, tried and convicted on numerous federal corruption charges and was imprisoned.

Over my 32 years in law enforcement I observed that the vast majority of public servants and elected officials were dedicated, hard-working individuals who would never betray the public trust.

Yet, that one-tenth of one percent who do go astray cast a dark shadow



over all government officials. Research indicates it takes an average of seven years before people's trust is restored in that agency or political subdivision again.

Looking back at the cases with which I was involved I find a few common threads.

First and foremost, it is no longer just money, women and booze that corrupt public officials, but rather partisan political power. Political power used correctly can benefit everyone. Used incorrectly it becomes destructive.

The second pitfall is the "good ol' boy network." Herein, political alliances interfere, obstruct or obscure the mission of government in totality. Generally, this involves, directly or indirectly, the retention of political power.

The third pitfall is the silly notion that no one can touch you. I'll never know what is so intoxicating about holding office that makes some people think they can do no wrong. Somehow they forget that our legal system has brought down presidents.

The three faces of evil haven't changed much since recorded history began. Today they are more sophisticated, covert and computerized. Investigations now require enormous budgets and scores of investigators.

Because of this, only large agencies can deal with corruption cases. Only time will tell how effective this evolution will be. I suspect, in time, these large agencies will have to prioritize their cases.

Finally, I have observed that there are men and women who, in spite of assorted slings and arrows, are dedicated to cleaning cobwebs out of the corners of government.

These people, about whom we seldom hear or see, will always garner my respect and admiration. In spite of all else, they possess strength, perseverance and dedication to the principle that right will always prevail over wrong.

First Sergeant Joe Flynn is gone now, but his brief vignette on integrity should be applied to anyone considering a government career.

*"Well, down South, we like our politicians a little bit dirty. In fact you can't even make it through the primary unless you've been indicted at least twice."*

— a State Police Captain



A CONTRACT WITH  
LOCAL GOVERNMENT

*An Allen County member  
develops a promising model  
for appropriate governance.  
But will anybody sign it?*

by **RON REINKING, CPA**

Fourteen years ago the speaker of the U.S. House of Representatives, Newt Gingrich, promoted a “Contract with America” that ultimately resulted in a surprising reversal of political trends and a first step toward establishing linkage between voters and their representatives.

In that same spirit, you will find below a 10-point “Contract with the Taxpayers of Allen County.” It is my opinion that the contract if adopted by both parties would go a long way toward restoring confidence in our elected officials and establishing guidelines for appropriate governance in our county. — *July 4, 2008*

*Contract With the Taxpayers  
Of Allen County*

1. WE PLEDGE to initiate a County Fiscal Review staff of three financial professionals who would operate independently and have unlimited authority to examine and report on all municipal, county and affiliated entities’ activities. Items and activities selected for examination would be made at the sole discretion of the staff. This authority would encompass access to participating vendors’ books of account. Those vendors who select not to participate would be precluded from contracting with local government. The staff would be fully funded by private contributions.

2. WE PLEDGE to initiate a system of accountability whereby only elected officials have authority to incur bonded indebtedness, loan commitments or long-term leasing on behalf of the taxpayers and will assume responsibility for such.

3. WE PLEDGE to redirect economic development resources to support the growth of existing local businesses in favor of speculative ventures.

4. WE PLEDGE that interlocking directorships and inter-municipal relationships will be disclosed and financial remuneration, corporate as well as personal, will be published in annual reports and semi-annually in the local media. Conflicts of Interest, potential and actual, will not be tolerated.

5. WE PLEDGE that consultants submitting *pro forma* financial projections supporting municipal ventures will publish their projections and recommendations in the local media and will file them for review at the local library and record them with the county clerk. Disclaimers of their work would preclude them from receiving professional fees.

6. WE PLEDGE that bond issues secured by *ad valorem* taxes on property assessments will be restricted to obligations financing only essential city and county services. Economic Development projects are best determined by private-sector assessments and financing.

7. WE PLEDGE that all legal and consulting fees will be approved and recorded by the appropriate Council and recorded in the minutes of said Council.

8. WE PLEDGE to encourage the five-county school systems to adopt and implement a “weighted-student formula plan” for equitable student funding and the promotion of school interchangeability and freedom of choice.

9. WE PLEDGE that school racial integration resources (including transportation investments) should be redirected to lower overall costs of education in recognition that courts have recently rejected forced racial integration techniques as an effective solution to better educational performance and racial harmony.

10. WE PLEDGE to subscribe to a two-tier method of funding political activities. Individuals, corporations and partnerships making direct donations to this party will do so in accordance with existing law. However, contributions exceeding \$250 will preclude participation of that firm of engaging in any municipal contract. A blind trust will be established by this party to be administered by a non-local institution. Any individual, corporation or partnership wishing to support our party with contributions exceeding \$250 would do so in anonymity.

# THE VIEW FROM A NEWS DESK

## *A Veteran Journalist Remembers Digital Corruption and Pendergast's Revenge*

by CRAIG LADWIG

The man at the next desk had to explain it to me. "They cut off the fingers so they could take the wedding bands."

At the turn of the century, appointment as a deputy coroner was a reward for being a loyal machine worker. The man at the next desk was telling us new guys that the job carried the privilege of taking gold rings off unclaimed bodies (occasionally swollen to a point it was necessary to remove a digit or two).

This grisly picture served a young journalist well. It showed the brutality of corruption without the clutter of political rationale. And it taught him that corruption is most often an allowance rather than a scheme. Indeed, it is the default setting of we *Homo sapiens*.

The practice evolved naturally, if you will, a byproduct of a municipal government that had grown so strong relative to the private sector that it was beyond monitoring by democratic processes. Nor could the mass media, even with constitutional protections and powers, always be counted upon to balance the equation.

### *Corruption Redux*

Extreme corruption is of course still with us — utterly so in lands of the developmentally naive where heart trumps head, where faith is placed in political personality rather than constitutional script, where ends rule over means, where "one man, one vote, once" plays out with the most tragic results for economic well-being and quality of life.

Most of us, however, are blind to the corruption found under even the most representative of democracies: San Francisco of the alternative values, Chicago of the social organizers and, to bring it home, Bloomington, Indianapolis, Carmel and Fort Wayne of the progressively urbane.

Perhaps "blind" is too strong a word. Let's say purblind. Consider the example of my hometown newspaper:

A recent story lauded the mayor's \$14-million deal for ice rinks. The newspaper, however, initially omitted mention of the mayor's brother's connection to the developer's investment group.<sup>1, 2</sup>

What kind of publisher abides such journalism?

Well, in the 1987 television miniseries, "Amerika," the last democratically elected president of the United States gives this little speech:

Totalitarianism (utter corruption) doesn't need armies. It only needs to control a couple of things — the media, and the ability to dispense privilege to some, and to withhold it from others — of course, a weak and divided people helps.<sup>3</sup>

Yes, it sounds a lot like what goes on in your state legislature or city council every day. Surely, this generation has reverted to that default setting.

### *Inarguable Goods*

If you sit at a news desk long enough you understand that corruption rides in on horses named "Best Intentions," "Inarguable Good" and "The Right Man for the Job."

*Corruption rides in on horses named "Best Intentions," "Inarguable Good" and "The Right Man for the Job."*



*T. Craig Ladwig, editor of the journal, began his newspaper career as a police reporter on the Emporia Gazette of the great William Allen White. Later, on the editorial board of the Kansas City Star, he edited, "The Star: The First 100 Years," which brought him into contact with many of the reporters who had covered the Pendergast Era. And as an aide to the Senate Foreign Relations Committee, Ladwig was privy to deliberations leading up to reform and free elections in El Salvador and the democratization of Zimbabwe.*

## THE COVER

*Indiana's most staid Republicans, conservatives sitting in places of honor and influence throughout the state, saw nothing wrong in giving the teacher unions the power of political machines.*

The naturalization committees of Tammany Hall, the cement companies of the Pendergast Machine, the ward healers of the Cook County Democratic Organization lived on a glorious promise — easy access to government and the trappings of prosperity in viaducts, boulevards, skyscrapers, high-paying jobs, etc.<sup>4</sup>

By the time of the Roaring Twenties, these political machines had begun to organize around companies and institutions with business-like facades, e.g., the Midwest Paving Company, the Centropolis Crusher Company and a personal favorite, the Public Service Pulverizing Company.<sup>5</sup>

The Centropolis Crusher Company, incidentally, manufactured cigars, an inarguable good at the time (women didn't get the vote until 1920).

Neither cigars nor Main Street capitalism are as popular as they once were. Machine politicians have had to find other disguises, corruption historically needing to outrun its definition. The machines of today work from offices with title plates "Urban Development," "Environment Protection" and of course "Public Education."

### *The ISTA Machine*

So things have changed a lot — and not at all. You can draw up your own list of modern front groups, but at the top of mine is the National Education Association and its local affiliate, the Indiana State Teachers Association (ISTA). The teacher unions, love them or hate them, fit the historical model of political machines in that they claim to serve a community good but in fact serve the narrowest of interests.

The oldest root of corruption is thought to be the Latin *corruptio*, meaning a perversion of purpose. It explains why the Indiana Collective Bargaining Act, as corrupt a document as you will read, passed the Indiana Legislature with the blessings of the most sincere reformers.<sup>6</sup> And there has never been a serious attempt to repeal it or even change it.

That is true even as experience has shown that its passage meant teacher unions here no longer needed to be concerned with "education" or "teaching." Rather, they can busy themselves quite openly and legally hiring their friends with

other people's money.<sup>7</sup> The act stands as a reminder that direct democracy is no protection without the Rule of Law.

Today's educational corrupt were born of that 1970s ISTA deal promising one thing (ultimate reform of the Indiana property-tax system) but producing something quite different (institutionalized factional divisions over education).

Again, *corruptio*, the old switcheroo. The most staid Republicans, conservatives sitting in places of honor and influence throughout the state, saw nothing wrong in giving the teacher unions the power of political machines, the power to fleece earnest taxpayers and hardworking teachers in order to reward the inept among them.

The ISTA machine, as all machines, will eventually exhaust itself. But in much the same way that Daley, Pendergast and Tweed corrupted municipal government, the ISTA leadership will have dumbed down our education system — again, by rewarding the undeserving and thereby punishing the deserving.

For now, though, the NEA machine owns Indiana and most other states. And the more we try to "reform" it, the worse it gets. The situation is summed up nicely by Lydia Segal in "Battling Corruption in America's Public Schools":

The root of the problem lies in the ever-tighter traditional corruption controls — the layers of bureaucratic oversight; the detailed standard operating procedures, rules and regulations; and the over-specification of money — that schools imposed on their operations over decades. These control mechanisms were supposed to ensure against fraud and waste. But as urban schools grew larger, they have actually eroded oversight, discouraged managers from focusing on performance and made it so difficult to do business with districts that employees and contractors have sometimes had to seek "creative" or illicit ways to get their jobs done.<sup>8</sup>

Dr. Jeff Abbott, an adjunct scholar of this foundation, makes the astute, albeit depressing, point that reform cannot be a simple matter of consolidating or even eliminating the education bureaucracy.

This is a bureaucracy, he reminds us, that is anything but superfluous. Rather, it is sadly necessary to ensure compliance with the thousands of little social-engineering

tasks that the Legislature and Congress have given our schools, jobs that have nothing to do with teaching students.<sup>9, 10</sup>

### *A Flood of Corruption*

Those of you compiling your corruption list in northwest Indiana, Fort Wayne, Indianapolis, Carmel and Evansville will want to consider the scam of economic “development,” particularly in the form of sports stadiums, music halls, conventional halls and other Potemkinesk efforts.

These are marvelous projects from the viewpoint of the corrupt: 1) They can be sold as a public good; 2) they require the services of politically connected professionals of all sorts paid percentage fees; and 3) land must be purchased in large lots — perfect.

Indiana’s historical example is the Mammoth Internal Improvements Act of 1836. It allowed state government to get into what was then the high-tech business of canal building.

It’s a short story but typical: The only part of the imagined Central Canal of Indiana that actually functioned was an eight-mile stretch closest to the center of political power. And by 1841, the state couldn’t pay the interest on its internal debt and went bankrupt.<sup>11, 12</sup>

But my favorite is the system of viaducts built in the 1920s by Tom Pendergast’s Ready-Mix Cement Company of Kansas City. The cement in the viaducts that crisscrossed the city was said to have been six feet deep in places. Politically driven cements sales helped finance four decades of machine operations there.

A few years after the last Pendergast died, a freak storm dumped water in just the right place for the viaducts to reroute a creek through the Country Club Plaza, a posh shopping area. The resulting flash flood killed 25, some of them upper-class professionals relaxing in the area’s many fine restaurants and bars. The 1977 flood is remembered as “Pendergast’s Revenge.”

### *‘Where Are We Going to Get the Money?’*

Any account of corruption must include the heroic example of Robert Fleming Rich of Pennsylvania. Rich served some 40 years in the U.S. Congress, elected to the U.S. House of Representatives sometime before

the First World War. The late William F. Buckley loved to tell his story:

(Congressman Rich) uttered only a single declamation in all those years on a dozen or more occasions each year. The debate on a spending measure would take place and, after it became obvious that it would be approved, Congressman Rich would raise his hand and, recognized, would say, “Gentlemen, where are we going to get the money” and sit down.<sup>13</sup>

Representative Rich never got his answer, of course, but even so he was in a better situation than those today. The good congressman at least had some confidence in how much a spending bill would cost even if he had doubts whether there was money to pay for it. Today, we don’t even know the size of the bill.

Of the many examples provided by Ernest Christian and Gary Robbins in “Stupidity and the State,” this paragraph stands out:

The government says that the tax burden will be \$2.6 trillion in 2008. But counting the “deadweight” loss from damage done by taxes to the private economy, the real tax burden is twice that — roughly \$5.2 trillion, according to various estimates, including ones published by the National Bureau of Economic Research and the Congressional Budget Office. On the spending side, a study by the Office of Management and Budget showed that government programs on average fall 39 percent short of meeting their goals. Thus, in 2008, government will spend \$2.7 trillion to provide \$1.65 trillion of benefit.<sup>14</sup>

### *Designer Chairs*

They don’t cut fingers off cadavers anymore. Instead, they close down family businesses, burden the young with the debts of previous generations and force old people to sell the houses where they raised their families.

The deputy-coroner system, please know, represented the least damaging kind of corruption. It involved only a painless cash transfer from the innocent — statically so — to the greedy. More serious is today’s transfer of power from the accountable to the unaccountable.

The mayor of Fort Wayne, to choose the silliest example from the stack on my desk, has placed designer chairs on a downtown street.

The chairs, designed by Phillippe Starck, whoever he is, cost \$6,864. They were partly financed through property

*The only part of the imagined Central Canal of Indiana that actually functioned was an eight-mile stretch closest to the center of political power.*

## THE COVER

*A city like Fort Wayne that can plop designer chairs in the middle of its deserted downtown and call it economic development, is functionally unaccountable — and it doesn't get more corrupt than that.*

taxes on certain downtown businesses and a special income-tax bond.<sup>15</sup>

The chairs can now be seen near the Fort Wayne-Allen County Convention and Visitors Bureau. The mayor says they are helping make downtown “a fun place to go.”

A harmless bit of procurement fun? Perhaps, but a city that can plop designer chairs in the middle of its deserted downtown and call it economic development, is functionally unaccountable — and it doesn't get more corrupt than that.

### *Corruption Translated*

As a journalist, I am concerned about corruption of word as much as deed. An anecdote from my days on Capitol Hill will illustrate:

The issue before the U.S. Senate Committee on Foreign Relations was whether the Reagan administration should yield to the demands of the Sandinistas and continue a protest embargo against the pro-capitalist planters in control of El Salvador at the time.

The AFL-CIO had shipped up a pair of honest-to-goodness peasants to testify against President Ronald Reagan's foreign policy. The peasants didn't speak English but my friend next to me spoke Spanish.

Midway through the testimony, my friend sat up straight. “That's not what they're saying,” she whispered. They were saying that they wanted the embargo lifted as “Presidente Reagan” had recommended. The peasants were trying to explain to Sen. Richard Lugar, Sen. Joe Biden and the other powerful men peering down from the elevated committee seating they needed the U.S. loans to buy seed corn.

The next day the transcript in the Congressional Quarterly had been edited to yield the desired AFL-CIO testimony.

Innocent to the end, we took our case to a member of the Senate leadership. He told us in the most fatherly way that if we made a stink the Democrats would just ship up a load of better-scripted peasants.

### *The Zimbabwean Corn Chart*

Before we set aside the international nature of corruption, let me say a few words about that great hope of African

nationalism and common good and fairness, Zimbabwe, cradle of the new democratic man.

Only a fool could not have seen the warning signs of corruption in a Zimbabwe that depended on democracy rather than Rule of Law, a raw democracy that encouraged systemic misalignments producing the cesspool that country has become.

And yet, when collapse came, *the New York Times* and most other prestigious newspapers reacted with surprise. Their explanation was that personal failings in an evil few had brought down an otherwise solid plan of governance and a noble human effort.

Hogwash. I would have Chart 1 tattooed to the forehead of anyone seeking high office. It is a reminder of what happens the moment corruption takes full hold, *i.e.*, when private property becomes a matter of political negotiation rather than written law.<sup>16</sup>

The Zimbabwean plan, as it turned out, was to take the property of productive farmers and give it to political cronies.

It was a plan, incidentally, that was fully legal, approved in what at the time were fair and free democratic elections indistinguishable from those we have in Indiana or at least in neighboring Chicago.

Please note the years 2001-2007 under the label “Land Reform.” Those were the years that Zimbabwe abandoned even a semblance of private property. Corn production dropped to levels experienced during only the most severe drought. (Compared with human corruption, global warming is a teddy bear.)

Those years on the chart reflect the fact that even the henchmen of President Robert Mugabe, the very ones given the fertile land farmed by Rhodesia's original settlers, would not invest in labor or seed corn. They invested instead in foreign banks, where their money would be safe from people like themselves.

### *Conclusion*

That last is the core lesson of my 40 years as a journalist — years watching the quick and the clever maneuver for advantage on the smallest town boards, in the largest municipal councils and in the chambers of Capitol Hill.

Take one more look at my little chart and know that a similar one could be drawn for any Indiana city.

For men like Mugabe aren't confined to Zimbabwe any more than tyrants always come onto the world stage wearing funny little toothbrush moustaches.<sup>17</sup>

Their political vision, with its promise of cost-free economic and social change, captures democratic majorities everywhere and in all times. And no matter how noble the stated cause, the actual policies left behind produce a production chart like the one on my bulletin board — an economic wasteland in a town, city or nation, one that will take generations to restore.

It is my bet that the masters of the new corruption that Dr. Staley and Sheriff Squadrito generally define elsewhere in this journal, perhaps even the civic boosters in Indianapolis and Fort Wayne and a half dozen other cities growing rich on the great public projects of our age (stadiums, conventional halls, downtown developments, music halls) will not be buying "seed corn" for planting in their Indiana home towns.

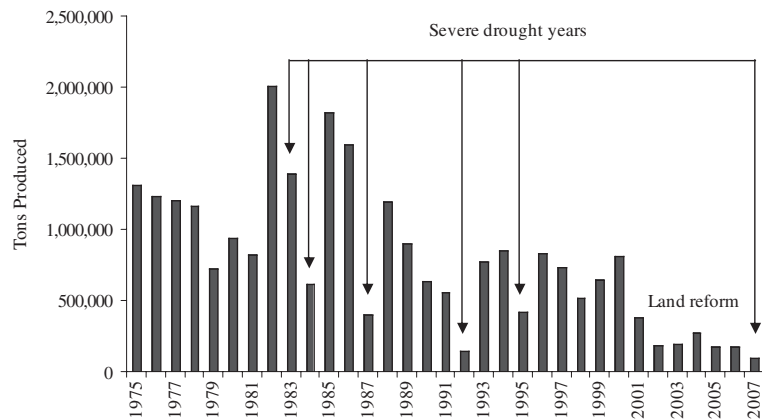
No, like the loyal functionaries of the Tammany, Daley, Pendergast and Mugabe machines, their money will go to other cities and states, places where the Rule of Law prevails rather than the politics of good intentions or factional influence. These will be places where corruption is held in check by free markets and constitutional counterweights, not dependence on that always fallible commodity human nature.

The corrupt are corrupt, you see, not stupid. Q

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The corrupt aren't confined to the Third World. Their political vision, with its promise of cost-free economic and social change, captures democratic majorities everywhere and in all times.

## A PUBLIC-PRIVATE PARTNERSHIP GONE BAD

*The Northeast Indiana Public Safety Foundation:  
A Hard-Earned Lesson for Community-Minded Businessmen*

*Understanding why the vision for Fort Wayne's safety academy did not become reality and understanding why bad politics pushed out good policy is important if our communities are going to prosper in these economic times.*

by PETE ESHELMAN and JOE RUFFOLO

A trusting and strong working relationship between private and public leaders is a requirement if northeast Indiana is to deal with its immediate challenges, let alone emerge as a region known for its quality of life and economic prosperity. This type of relationship was a characteristic of Fort Wayne's past success. It can be seen at work today in Indianapolis and other thriving communities.

That is why several in the business community here were overwhelmingly supportive when former Mayor Graham Richard approached them with the idea of a public-safety training facility organized around a private-public partnership. This partnership would serve not only Fort Wayne but the region and become a national model of excellence.

Soon after discussions began, it became clear that Mayor Richard's idea could work, that combining the abilities of the private and public sectors could provide a training capability larger and more efficient than otherwise would be possible. Best of all, it could be self-supporting.

Understanding why that did not become reality, understanding why bad politics pushed out good policy, understanding how six months of political delay destroyed business momentum, losing clients and sales indefinitely, is important if Fort Wayne is to prosper in these economic times.

*Pete Eshelman, left, was the former board chairman of the Public Safety Foundation of Northeast Indiana and Joe Ruffolo, a former member of his board. The two are nationally prominent in their industries, active in a wide range of civic and charitable projects.*



### *The Cost of Politics as Usual*

by RONALD REINKING, CPA

The accompanying article tells of civic-minded leaders volunteering time and money for community good but spurned by politicians with other incentives. On the face of things, it's difficult to conceive that such a well-meaning and meticulously planned and funded gift would be so unceremoniously dumped. But private-public "partnerships" rarely work (e.g., Fanny Mae). Public officials are always a little more "partner" than "volunteer," and the taxpayers end up paying for good ideas gone sour.

The annual budget for the academy was calculated at about \$1.3 million. Principals of the private trust were intent that, after initial start up, no public monies would be required. In addition, business leaders directing the trust for the academy, had laid out plans to establish a \$10-million endowment that could assure the continued operation of the academy far into the future.

The reporting of the workings of the academy has now been absorbed into the black hole of governmental accounting and will become a small ingredient in the murky financial soup of pensions, police cars, hotels and baseball stadiums.

Individual taxpayers will probably lose \$400 to \$600 annually forever. The opportunity of a \$10-million fully funded endowment to guarantee the academy's continued tax-free operations also is lost.

This will not require the assignment of blame. It will require, however, the ability to discern sincere effort from mere posture, systemic reform from political maneuver.

#### *A Realistic Vision*

Let's begin with why anybody would want to create a public-safety foundation in the first place.

In the post-9/11 world, Richard saw the need to provide improved and modernized training facilities for "first responders," those emergency personnel who would be first on a disaster scene. And it became equally clear after Hurricane Katrina that first-responder training was a regional concern, one that demanded a cohesive and coherent emergency response to protect and serve our communities.

Richard again, working with regional and state officials, proposed creation of a world-class facility for northeast Indiana's about 5,000 emergency responders in 12 counties. The anchors for this facility would be the Fort Wayne police and fire departments and would include regional responders to deliver state-of-the-art service for the northeast Homeland Security District.

Richard secured public funding to construct the necessary building. He also helped create an independent non-profit foundation, the Northeast Indiana Public Safety Foundation, to act as the governing structure for a private-public partnership.

This foundation, which one of the authors would chair, was designed to bring to reality the Public Safety Academy of Northeast Indiana. The foundation would guide both public and private investment in the academy and, most exciting of all, the goal was to achieve 100 percent *private* funding.

#### *A Solid Plan*

Construction began in 2005 and was completed two years later. While the focus was on building the facility within budget and on time, on a parallel track efforts were made to develop a regional business plan. That plan called for the following:

- A state-of-the-art "best-practices" training program to meet regional needs.

- An educational consortium that would deliver a cohesive public-safety curriculum to future public-safety leaders.

- Partnerships with state-of-the-art technology providers to empower first responders.

- Public-safety curricula and training focused on regional business needs.

- A financial plan with the goal of financing academy operations independent of taxpayer dollars through outside sources of revenue to include grants (federal and private), sponsorships, user fees, lease revenue and value-in-kind services from the private sector

- And finally, an endowment that one day would reach \$10 million and provide the funding necessary for training all regional first responders. This was to ensure that regional safety would never be compromised for a lack of money for first-responder training.

To accomplish this plan, organizers searched for the best way to manage the project. Richard, once again, saw the need for a unique private-public sector management structure, one that would realize the strategic and financial goals of the academy while insulating its operations from political influences. He recognized that the success of the academy required management of a self-sustaining business, not just management of a building. This in turn required control by a board that would be independent of the City of Fort Wayne. The academy itself must be led by a staff qualified and capable of building and managing an actual business.

A staff was recruited to fill the key positions of academy director, chief financial officer, grant specialist and curricula specialist. Richard proposed that the foundation's role expand from advisory and fund-raising to include responsibility for managing the academy's strategic vision and tactical operations.

The board of directors of the newly created Northeast Indiana Public Safety Foundation scrutinized the magnitude of this additional responsibility and ultimately voted unanimously to propose to the Fort Wayne City Council this new role as supported by the mayor and City Hall.

In September, the council unanimously authorized that a contract be drawn

*Initial plans for the regional safety academy in northeast Indiana included something remarkable for a public project: The goal of financing operations independent of taxpayer dollars.*



## SPECIAL REPORT

*Several of the original board members believed in the public-private concept to the point they would put up their own money to guarantee operations.*

whereby the foundation would assume expanded management and operational responsibilities for the academy. This was codified in an ordinance with the format of a “letter of intent” specifically outlining the foundation’s responsibilities and its working relationship with the city.

It is important to know that council approval in this instance, as well as approval of a construction bond and the state’s approval of a start-up grant, was based on this detailed organizational precept. Elected representatives sponsoring these measures assumed that the academy would be regional and quasi-governmental, and they assumed it would be supported in part by its own fund-raising efforts and those of an independent managing foundation. Their assumptions proved wrong.

### *What Went Wrong*

Following the favorable council decision, members of the foundation board turned their attention to formalizing the agreement. Until a contract was signed, new responsibilities could not be assigned nor could the business plan be implemented. Such steps are what come to mind when we think of a government being run “like a business.”

The plan anticipated estimated revenue from the following sources:

- \$304,000 provided by the City of Fort Wayne for its fire and police operations.
- \$350,000 in federal grants.
- \$300,000 in private donations and fund raising.
- \$145,000 in lease revenue from educational partners.
- \$133,000 in user fees.

Here it must be re-emphasized that the revenue plan relied heavily on the academy staff and the foundation to secure dollars from outside Fort Wayne. In the academy’s first year, 2008, operational expenses were projected to be \$1.1 million with revenue providing a break-even scenario. For the next two years, however, expenses were expected to rise minimally with revenue projected to exceed expenses.

The authors had faith in the concept to the degree that they were developing a plan that would guarantee any shortfall in outside revenue during 2009 and 2010. The board’s plan was to develop a consortium of individuals in the region who would join

us in supporting the guarantee far into the future. We believed that this guarantee would not only relieve the city of financing operational expenses, but would:

1) Help cement the private sector’s commitment to the academy’s vision; and

2) facilitate a strong, trusting working relationship with the public sector as well as the agencies utilizing and benefiting from the facility.

In this model, the City of Fort Wayne and its taxpayers would be relieved of any financial obligation to operate the regional facility. At the same time, Fort Wayne would benefit from a world-class integrated training facility dedicated exclusively to public safety, one that it could not afford without the foundation’s region-wide support.

Many of us, including leading figures in the Richard administration, believed that the innovative private-public sector approach plus a commitment to regional world-class emergency-responder training would become a national model not only for public-safety training but for private-public partnerships.

If the contract had been approved as expected in August 2007, the board’s plan was that the academy would by now be earning \$300,000 more in annual income from regional industries, well on its way to financial independence.

The large regional companies that were sold on the concept were put off, perhaps forever, by delay and political shenanigans. Gone with them is the possibility of creating safety-training programs tailor-made for them that in turn could be sold nationally and industry-wide. A dollar estimate of that loss is impossible to calculate for either Fort Wayne taxpayers or for the regional economy.

Right here it must be emphasized how important momentum was to this project. Delays at City Hall made it impossible to go about creating those industry-specific training programs — programs that the regional companies told us they needed and would purchase. Nor could the academy staff build the bridges of trust with industry experts on questions of design and operation, trust necessary to develop even more useful training programs for national markets.

*Trusting City Hall*

A telling moment came when the city surprised those familiar with the project by making a public announcement that there would be an annual revenue shortfall for the academy in 2009 and 2010. This was puzzling because, again, the shortfall had been anticipated by the foundation board, and a plan was being developed to guarantee any shortfall. Moreover, during the many months of discussion between City Hall and the foundation, city officials never mentioned any concern in this regard.

City Hall seemed to use this supposed shortfall as a rationale for its takeover of the academy and evisceration of the foundation. In any case, the projection by the city ignored the most essential element in the academy's business plan, *i.e.*, to allow the academy to become a self-supporting and politically independent entity.

In other words, ostensibly to avoid a shortfall, City Hall would:

- 1) Alienate the foundation officers who had been willing to make good the shortfall and create a long-term plan for financing academy operations independently; and 2) dismiss or effectively force the resignation of others (academy officers) who had been working to achieve the academy's regional vision and free city taxpayers from any future cost whatsoever.

The more politically savvy around town, particularly those who had read the letter of intent supported by Richard and those who had followed the discussion in City Council, understood what had happened.

*Failure to Bring Closure to the Contract*

Through November and December of 2007, the city and the foundation worked diligently to negotiate a mutually agreeable contract. Negotiations began to languish, however, when the new administration took office.

One of the authors contacted the new mayor in hopes of expediting the process.

**PUBLIC SAFETY ACADEMY AGREEMENT BETWEEN THE CITY OF FORT WAYNE AND THE PUBLIC SAFETY FOUNDATION OF NE, IN**

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He was assured that the final details would be worked out quickly. A few weeks later, however, the doors to City Hall in effect closed. They would remain closed for another four months as the city stalled negotiations.

Again, there would be real costs to this. City Hall's failure to bring closure to the contract not only prevented the academy from customizing training programs for sale to regional industry but also put its director and employees in impossible positions. Their roles, responsibilities and authority became confused — hopelessly so, as it turned out.

Leadership was urgently needed from the public side of the partnership. The foundation board, the academy staff and outside consultants were left frustrated and disappointed. They were concerned

*The foundation board, the academy staff and outside consultants were concerned by Fort Wayne's unwillingness to engage in meaningful discussions to conclude the contract.*

*Extraordinary leadership is needed to overcome the systemic differences in the public and private sectors. Without it, the level of trust found in the most prosperous communities cannot be realized, the various incentives do not align to produce the intended policy results.*

by City Hall's unwillingness to engage in meaningful discussions to conclude the contract.

Those concerned were well founded. In April, the new mayor abruptly announced to the foundation board that the academy would become a division of Fort Wayne with its director reporting to his office.

Shortly afterward, the academy's key staff members were dismissed or in effect fired (despite assurances from the mayor that the academy would retain its regional mission and the academy staff would be offered the opportunity to operate under this new city-run structure). As for the foundation, it became a mere fund-raising vehicle, and a hamstrung one at that.

Overnight, an innovative idea representing six years of work by talented public and private experts was reduced to a shell — one filled with nothing more substantial than politics as usual.

A few days before the mayor's announcement to the foundation board, one of the authors of this article resigned. Another author, disappointed with what he viewed as mishandling of the contract and disagreement with city control, also resigned.

Since then, as City Hall has attempted to explain the takeover to reporters and others, it has resorted to practices that the authors believe to be unprofessional, disappointing and damaging to the Northeast Indiana Public Safety Academy. And again, the most potential damage has been to the academy's future as a world-class regional training facility, which would be self-sustaining financially and a national model for Homeland Security excellence.

For this reason, we said yes to a request to write a factual account of this experience. It is part of a larger effort by those on the private side of the partnership to understand why their plans for the academy failed. They are reviewing their own decisions and judgments in hopes of determining how a future private-sector effort might succeed.

#### *The Critical Factors*

Economists tell us that extraordinary leadership, even heroic leadership, is needed to overcome the systemic differences in the public and private

sectors. Without it, the level of trust found in the most prosperous communities cannot be realized, the various incentives do not align to produce the intended policy results.

For such a partnership to work, both sides must rise above themselves. Members of the private sector must set aside any thought of advantage for themselves or their businesses. They must be willing to provide unrequited support for the chosen civic project, support extending into future generations. They must understand that the project, serving the largest number of their fellow citizens, would be impossible without their unqualified assistance.

Leaders of the public sector, for their part, must strive to treat tax revenue as carefully as the money in their own wallets. Just as important, they must somehow rise above political ambition and the ever-present cronyism of a city hall. Otherwise, government cannot be run "like a business." Its contracts will not be worth the requisitioned stationery on which they are written.

In the case of the Public Safety Foundation of Northeast Indiana, the private sector, in good faith and with passion, tried to do its part. It was sensitive to the needs and preference of its City Hall counterparts.

The authors, however, would not compromise a regional vision or a financing plan that creatively engaged the private sector in finding a way to free future fund-training needs from dependence on tax revenue.

It is the experienced opinion of the authors that it was the Fort Wayne public sector that failed — and, if City Hall continues to approach private-public partnerships in the same way, other projects will likely fail as well.

The needless six-month delay in drawing up a contract was an obvious factor. There were three other factors as well, factors that may prove even more of a problem for future projects.

There was resistance from the city. The kindest explanation is that city officials in a new administration, firefighters and police officers simply did not have enough time to embrace the concept of a private-public partnership.

As a result, there was misunderstanding about how the academy's training programs would be sold to private industry or what these clients would expect from the city's public-safety professionals. They did not seem to grasp the potential for themselves, for regional public safety or for taxpayers.

A third factor was that innovative ideas necessarily produce friction — creative friction, yes, but friction nonetheless. People who prosper in bureaucracies are people expert at preventing stress. They are not always the type of people, despite other fine qualities, who embrace friction as a constructive element of daily operations.

Which brings us to a fourth factor in the failure of our private-public partnership. As the authors have noted, leadership at several points in the academy's history could have saved all.

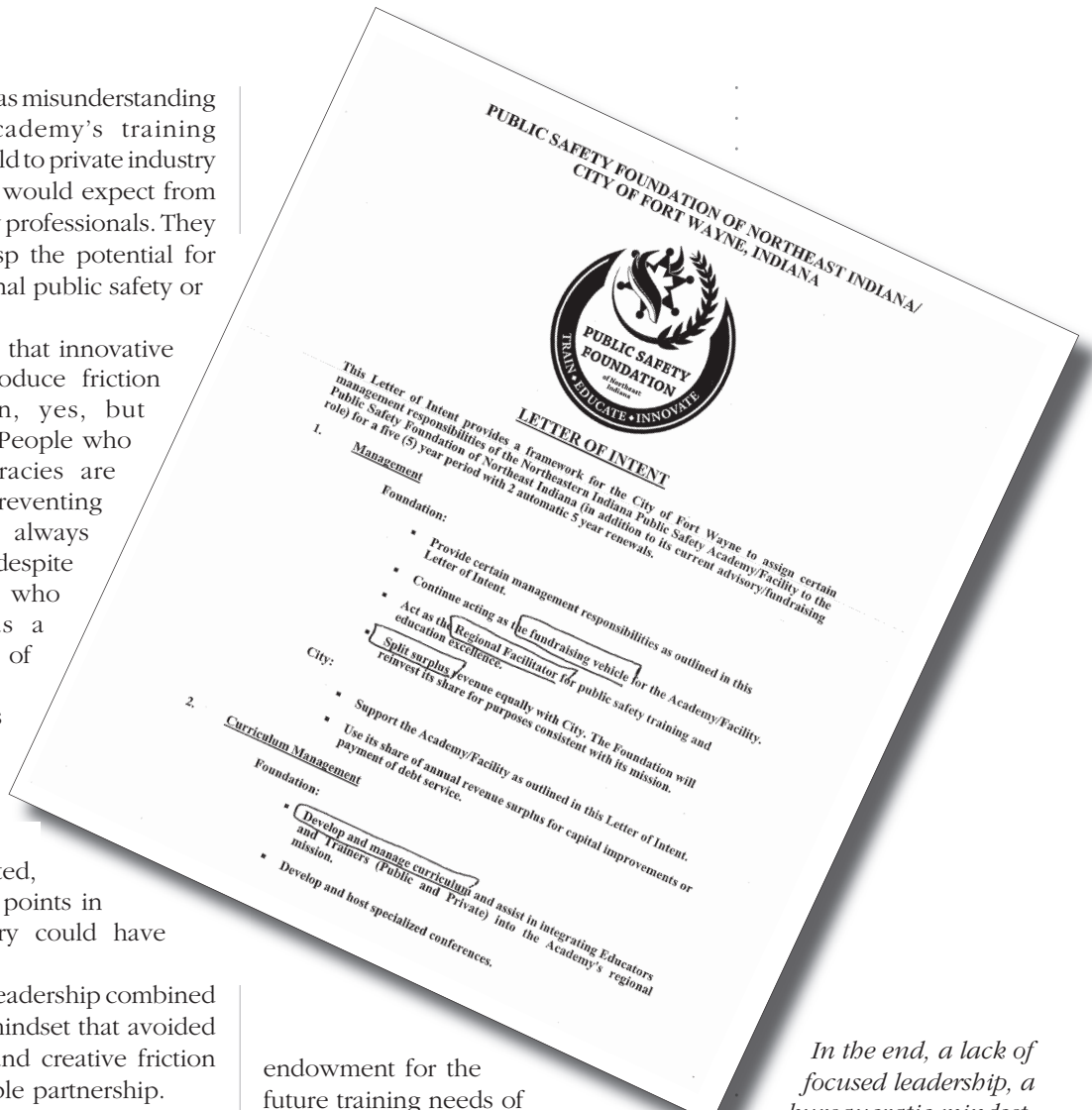
A lack of focused leadership combined with a bureaucratic mindset that avoided both accountability and creative friction made for an impossible partnership.

### Conclusion

What would get the vision for the academy back on track?

That we are "all in this together" is more than a cliché. Public Safety in particular transcends petty politics and finger-pointing. City Hall, the Fort Wayne City Council and the academy's foundation should:

- 1) Revisit the mission of the Northeast Indiana Regional Public Safety Academy;
- 2) restore independent management through the foundation board in a collaborative working agreement with the City of Fort Wayne;
- 3) establish a regional board, one representative of private-public interests in the region, one vigorously engaged in a financial plan to lighten the burden on taxpayers and to create a significant



endowment for the future training needs of our region;

4) recruit an academy staff that will build and manage not just the building, but the innovative vision; and

5) write a five-year business plan that includes benchmarks for success and accountability.

In our businesses we occasionally use sports metaphors to clarify a course of action. We find them helpful in breaking down complex problems into manageable solutions.

With regard to the Public Safety Academy, the ball has been fumbled on the one-yard line. The thing to do is pick it up and run for a game-winning touchdown.

This will require all of us, private and public, to summon the extra effort that always accompanies such feats of excellence.

*In the end, a lack of focused leadership, a bureaucratic mindset that eschewed both accountability and creative friction combined to make even the most promising of public-private partnerships impossible.*

*“No elected official or elected body played any official role in the decision to rescind the taxpayer protection language (in the Pan Am Plaza agreement). The idea originated with the Sports Corp., which had an obvious self-interest in keeping the money.”*

— Neal

### *Taxpayers’ Lament: Where’s Our Money?*

by ANDREA NEAL

(Aug. 27) — For a recent example of government officials playing fast and loose with taxpayer money in a public-private partnership, consider the case of the Pan Am Plaza in Downtown Indianapolis for which taxpayers should have received \$6 million.

The operative word is “should.” Last year, Indy’s powers-that-be decided that the Indiana Sports Corp. need not honor a 1985 agreement that required it to maintain an 88,000-square-foot plaza as public space or else pay the city \$3 million plus inflation for it. Now two taxpayers have gone to court to try and get those dollars back.

The plaza was part of a block of real estate along Capitol Avenue bought by Indianapolis, then given for investment purposes to the Sports Corp., a not-for-profit organization set up by city fathers to attract national and international amateur sporting events. This was one of Indiana’s earliest public-private partnerships.

Late last year, the Sports Corp. asked the Metropolitan Development Commission to rescind the taxpayer buyout language, which it did on a batch vote with no public input. In April, the Sports Corp. sold the plaza, which includes two ice rinks used by the public, for a reported \$3.8 million to private developer KRG/CP. The Sports Corp. pocketed the money. Taxpayers, who ironically are still paying debt service on the land, got nothing.

The transaction is disturbing on so many levels it’s hard to know where to begin. For starters, there’s the question of accountability. No elected official or elected body played any official role in the decision to rescind the taxpayer protection language. The idea originated with the Sports Corp., which had an obvious self-interest in keeping the money.

The Metropolitan Development Commission, whose members are appointed by the mayor, City-County Council and county commissioners, approved the resolution on



*Andrea Neal, an adjunct scholar of the foundation and a history teacher at St. Richard’s School in Indianapolis, is the former editor of the Indianapolis Star editorial page.*

Dec. 19 in a group of routine resolutions on a voice vote. The resolution made no mention of the fact that it would cost taxpayers millions.

Paul Ogden, the lawyer who filed the lawsuit on behalf of citizens Clarke Kahlo and Howard Elder, finds that fact especially troubling. “If they were so above board in what they were doing, why doesn’t the resolution mention those things? The fact is they didn’t want to raise red flags.”

The timing is also problematic. The vote took place a week before Christmas during the transition time between outgoing Mayor Bart Peterson and incoming Mayor Greg Ballard, who ousted Peterson in part thanks in part to property tax ire. Why wouldn’t something this important to taxpayers have been put on hold for the new mayor’s review?

Susan Williams, president of the Sports Corp., said she is certain the Ballard team was briefed on the matter. “I asked for assurance from the Peterson administration that this had been done. I didn’t do it personally. But I was assured that that happened.”

If Ballard were briefed on the issue, as Williams was told, it’s strange that he didn’t stand up for taxpayers, especially after campaigning on a pledge for open government. But Ballard hasn’t been open about this topic. “We are not going to comment while there is a pending lawsuit,” said his spokesman Marcus Barlow. No comment on a lawsuit that seeks to reimburse taxpayers \$6 million? It seems that money could help cover the city’s projected \$26 million operating deficit.

This is not an argument for letting the Sports Corp. go out of business. Since its founding in 1979, it’s done great things for central Indiana, including luring the Pan Am Games in 1987, the 2001 World Police & Fire Games and Men’s and Women’s NCAA Final Fours, to name just a few. But it’s also made poor financial decisions; the fact it had to sell off all its real estate to raise money is evidence of that.

“We need to have more public scrutiny of these public-private partnerships,” says Ogden, who notes that the situation

is hardly unique to Marion County. Throughout the state, similar partnerships finance sports facilities and economic development ventures with little reporting back to citizens.

Public scrutiny should be automatic when taxpayer money is involved. In its 2006 tax returns, the most recent available, the Sports Corp. reported \$4.8 million in revenues and handled at least \$429,488 in taxpayer money. Yes, citizens deserve to know about its operations and business deals and shouldn't have to go to court to find out. Q

## Indy Tax Dollars

by FRED MCCARTHY

(July 12)—Interesting food for thought in *the Indianapolis Business Journal* that hit our mailbox today:

For starters, an article on page five gives the cost of the new stadium as \$675 million. Another item on page six tells us the figure is \$715 million.

It cost \$40 million just to turn the page. At that last figure, frankly, our guess would be that the second item probably should have been back another page or two or three.

The page five article discusses the increased cost of operating the significantly larger building — without stating any specific number. We recall at one point an estimate of an increase of \$10 million per year. Of course, that was a pretty wild guess since the folks making the guess at the time also said they had no idea of what the actual cost of operating the RCA Dome had been. Something about throwing all the money in a big iron pot . . .

We also learned that the Capital Improvement Board (CIB) has become a philanthropic organization with taxpayers' dollars. The CIB, it turns out, makes grants to private organizations “. . . including Indiana Sports Corp., Indiana Black Expo, Arts Council of Indianapolis and the Indiana Cultural Development Commission. . . .” The word “including” gives us no indication of how many others. (The only specified amount was \$150,000 to Black Expo annually.) We happen



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to be among those Neanderthals who think the taxpayer ought to be the one who determines where his or her charity dollars go.

A second extensive article, about the collapse of the Pan Am Plaza concept, ends up informing us how beneficial the Indiana Sports Corp. has been for the city. We would suggest there are some questions to be answered before that judgment can be made.

For instance, we are told that “. . . the city gave the Sports Corp. the properties known as Square 88 in 1986. . . .” (The Hudnut administration.) That just happens to be the full city block bordered by Capitol Avenue and Maryland, Illinois and Georgia Streets. We are not told when and how the city acquired that property, nor what the financial cost was to the city — the taxpayers. We do know it has been off the property tax assessment rolls since then.

Apparently the only consideration was that the Sports Corp. was to maintain a “first-class urban plaza,” which it has not done. A penalty fee of \$6 million — supposedly destined for the city till — has now been waived.

Here are a couple of random sentences from elsewhere in the same article: “In 1995, the Sports Corp. defaulted on a loan for the parking garage and had to sell it for \$4.25 million — less than its loan balance of \$10 million. . . .” and, “In 2003, after losing millions on the 2002 World Basketball Championship, the group had to return the 139,000-square-foot office building to lender John Hancock Financial Services, which sold it to Coastal Partners for \$8 million.”

All of this is justified, according to an official of the Sports Corp. who says, in the last paragraph of the article, “People still talk about their experience with the (Pan Am) games. That will not be forgotten.”

It seems to us that this city has been spending huge amounts of money, which expenditures have contributed directly to its financial problems, resulting in making a few people rich and giving a few more some “happy memories.”

We don't happen to believe it has been worth it.

*“We are not told when and how the city acquired (the property given to Sports Corp), nor what the financial cost was to the city — the taxpayers. We do know it has been off the property tax assessment rolls since 1986. Apparently the only consideration was that the Sports Corp. was to maintain a ‘first-class urban plaza.’”*

— McCarthy

*In 1995, the parking garage was sold for \$4.25 million to a “distressed property specialist” based in New York. Did that sale include the land? If not, is there a lease providing revenues? To whom?*

— McCarthy

*More Questions*

(July 14) — In an effort to keep the last post — on the financial debacle of the Pan Am Plaza — reasonably brief, we left out some comments and some questions that probably ought to be asked.

In the news article we cited, the dreams for the office building were set out as follows: “The office building, originally built as a media center for the Pan Am Games, would house national sports governing bodies at below-market rents, supported by revenue from tenants paying market rents.” (Subsidies piled on subsidies. We wonder whether the full-load tenants were ever told they were carrying the folks next door.)

As indicated in the previous post, the city “gave” the land to the Sports Corp. in 1986. The article says a developer now has “. . . acquired the remaining Sports Corp. holdings.” (Purchase price not disclosed.) Does that include the land the city gave away in 1986? We are also told the city’s move (waiving a \$6-million penalty charge against the Sports Corp.) “. . . allowed all

the properties to return to the tax rolls for the first time in 20 years.” That certainly is a novel, and much needed, approach for downtown. We’ll ask questions anyway:

In 1995, the parking garage was sold for \$4.25 million to a “distressed property specialist” based in New York. Did that sale include the land? If not, is there a lease providing revenues? To whom? Where did the \$4.25 million go? Has the building — and land — been on the assessment rolls for these 13 years? If not, why not? Is the owner paying property taxes? What governmental entity is receiving the revenues, if any?

In 2003, the group (Sports Corp.) handed the (office) building back to the lender who, in turn, sold it to Coastal Partners for \$8 million. Again, did the building go on the tax rolls five years ago? If so, where are those revenues now?

Actually, we have to think the whole thing is pretty typical of the smoke-and-mirrors financial deals so prevalent in the downtown area for the last two or three decades. Q

*Oops — Funding Percentage ‘Adjusted’ for Fort Wayne Stadium Project*

Thanks in large part to sweeping changes in state tax law, the city will not keep one of its founding commitments regarding public financing for Harrison Square. Greg Leatherman, Fort Wayne executive director of redevelopment, said Monday the city estimates revenue for tax increment finance districts will fall 23 percent next year because of the state’s effort to cut property taxes for Hoosier homeowners. This will mean less money for future improvement projects, and it will also mean a larger percentage (60 percent) of existing revenue will have to be used to finance the debt for the public portion of the \$130-million Harrison Square development.

When presenting the downtown project, city leaders promised not to spend more than 50 percent of the revenue from the Jefferson Pointe tax district on Harrison Square. . . . City Councilman Tom Smith, R-1st, said while he understands the circumstances have changed with the taxes, he said the city should come back to the council with an update. He said the redevelopment commission may have the official say in the matter, but the public interest in the project necessitates it come before the council. Smith originally voted against Harrison Square. While the commission members discussed the revenue, expenses and budgets for the taxing districts in open session, city officials denied several requests Monday to release the same worksheets to *the Journal Gazette*.

— Excerpt from Ben Lanka in the Sept. 16, 2008, Fort Wayne Journal Gazette

*Oops Again — Colts May Let City Plug Latest Stadium Funding ‘Gap’*

Everybody knew the great civic party called Lucas Oil Stadium was going to run up a big tab. But oh, the surprise bills that keep hitting us on this long morning after. Two years after learning that unexpected expenses had eaten two-thirds of the \$50-million contingency fund for construction, and a year after learning the original \$675-million cost was nowhere near reality, taxpayers this week found out the city budget for running the stadium has a hole the size of the retractable roof. As reported by *the Star’s* Brendan O’Shaughnessy on Wednesday, the Capital Improvement Board says extra — that’s extra — costs of operating the now-\$750 million facility may reach \$20 million, not the \$10 million originally projected.

— Excerpt, editorial, the Sept. 18, 2008, Indianapolis Star

## *The Virtues of Contrary Voting*

by CRAIG LADWIG

(Aug. 14) — A few of us have found peace with the upcoming elections. We have joined the Anti-Usurpation Party, a growing force out here in the flown-over states.

We Usurpians vote against anybody in public office and sometimes even against those demonstrating enthusiasm for public office.

Usurpians, observing the current situation, conclude that those in office — in one way or another, to avoid accountability or to secure advantage — are usurping powers reserved for free citizens and their state governments.

Even so, Usurpians threaten no one. We rarely run for office and never re-election. The prognosticators can count with certainty the Usurpian vote — in any race, regardless of issue or charm, between Republican or Democrat, liberal or conservative.

Ours is true bipartisan partisanship. We don't particularly care, for example, who wins the presidential election; we'll just vote for his opponent in the next cycle.

How do we feel about having to vote against office-holders doing a good job? Or more seriously, are we afraid we'll lose our voice in the democratic process?

A recent Rasmussen survey found that the approval rating of Congress — or of all political bodies, would be our guess — has fallen into single digits. The number of people who think Congress is doing a good job can be explained by estimates of those wandering around drunk or, most plausibly, seeking psychiatric care.

IN ANY CASE, statisticians tell us our individual votes are mathematically insignificant. That must be especially true when you take into account the small number of competitive elections. And common sense says that if we cannot reach a city councilman by phone we won't have much luck with a representative or senator.

Nor does it matter when a candidate happens to win by expressing our position on the issues. Once in office, under the



T. Craig Ladwig is editor of the journal.

he is free to break any campaign promise.

So, no, we aren't afraid of losing our democratic franchise. Indeed, Charles Murray, the social scientist, is convincing that it makes no difference for whom we vote so long as the courts allow legislators to reward certain factions and to punish others.

These are the factions, incidentally, that the Founders warned us against. They are not the political parties, exactly, but the infinite number of special interests and other courtesans claiming all manner of right, privilege and earmark in precise numerical ratios without regard for Rule of Law or Constitutional precept.

We Usurpians, then, save our breath and our money. Most important, we remain in good spirits even while following events through the filters of network news or the national press — good enough spirits, at least, to keep working toward a future that will actually work.

We busy ourselves studying the deeper stories, logic and analysis that formed the intellectual underpinnings for what once was our limited government. A generation may need to know that stuff again one day.

And since we aren't in constant political quarrel with our neighbors, we can live in peace, continuing to believe, to hope and to pray there are sufficient numbers of our fellow citizens who share our devotion to personal liberty and responsibility.

Usurpians unite, or at least stay in touch.

*We busy ourselves studying the deeper stories, logic and analysis that formed the intellectual underpinnings for what once was our limited government. A generation may need to know that stuff again one day.*

— Ladwig

### *The Gipper*

“Ultimately, the choice before the American people is the choice between two visions: on the one hand, the policies of limited government, economic growth, a strong defense and a firm foreign policy; and on the other hand, policies of tax and spend, economic stagnation, international weakness and accommodation and always, always, from them, ‘Blame America first.’ It's the choice between the policies of liberalism or the policies of America's political mainstream.”

“In our administration, our mission has been to appoint the best qualified people we could find, to fill substantial jobs with substantial individuals. And the result of this merit-based approach, not surprisingly, is that more women have served in top-level policy positions in our administration than in any previous one. And they've served with distinction, earning promotions and reappointments at a high rate.”

— Ronald Reagan



*The word “efficient” merely speaks to how government resources are used, not the amount of resources expended or, most certainly, who gets to expend them.*

*An Alaskan Model For Hoosier Reform*

(Sept. 15)— We are told by promoters of the sports plazas, stadiums, convention hotels and other Potemkin projects throughout Indiana that we cannot attract the investment our cities need, that public subsidy is required.

The argument is politically effective because it plays on our economic fear. And like any bogeyman, it cannot be disproved. Nobody who receives favors in the form of rebates, cheap loans, monopoly rights or cash transfers is going to say that they might have invested anyway.

That is what is so instructive about the experience of Alaska Gov. Sarah Palin in dealing with the gas producers over a North Slope pipeline.

Governor Palin was able to prove that the considerations granted a consortium of companies were not necessary to attract their investment.

Indeed, the considerations were nothing more than corruption masked as economic development.

In her gubernatorial campaign, Palin proposed making pipeline bidding open and competitive. The oil producers warned that if her reforms were implemented nobody would help build the pipeline.

As it turned out, five groups submitted proposals.

Here is Kimberly Strassel of *the Wall Street Journal*:

And a few months before the Legislature awarded its license to TransCanada this July, Conoco and BP suddenly announced they'd be building their own pipeline with no state inducements whatsoever; they'd suddenly found the money.

Hmmm.

On a related matter, Alaska's experience contradicts the core recommendation of

Indiana's Kernan-Shepard report — that local governments must be made more efficient through consolidation.

Yes, proponents will grant that appointing rather than electing county sheriffs may have disadvantages, as does forcing rural school districts to consolidate with their football rivals down the road. You have to break some eggs, though, to make an efficient omelet, *etc.*

But again, given the example of Governor Palin, we might want to think a bit deeper about that.

Isn't a smaller, more accountable government what we want, not necessarily a more efficient one?

History tells us that “streamlining” government can mean making it larger and more difficult to monitor through democratic processes (Mussolini getting the trains to run on time). Indeed, the word “efficient” merely speaks to how resources

are used, not the amount of resources expended or, most certainly, who gets to expend them.

In Alaska, one of the most backward states in the nation by the standards of the Kernan-Shepard report, a self-described hockey mom got elected mayor of a city with a budget little bigger than most Indiana townships.

From there, using nothing more efficient than her small-town common sense, Palin strung together a series of election victories that turned the power structure upside-down.

And she didn't have to eliminate a single elected office or bus one child an extra mile to do it.

Now, you may be one of those who think it a bad idea to turn the power structure upside-down from time to time. If so, consolidation and government efficiency are your tickets.

Some, though, will be looking around for Hoosier versions of Sarah Palin. Q

*“What kind of government forces people to make gasoline out of food, artificially boosts the price of corn to \$6 a bushel, guarantees that inflated price as the ‘base’ for higher federal subsidies to corn farmers in the future, and then tries to hide its own depredations by excluding high food prices from its measure of ‘core’ inflation?”*

— “Stupidity and the State” by Ernest Christian and Gary Robbins in the June 7, 2008, *Wall Street Journal*.



*“All the world would gain by setting commerce at perfect liberty.”  
(Jefferson)*