



The Cost of Corruption in Chicago**

By Dick Simpson and Thomas J. Gradel

Political corruption in Chicago is extensive and persistent. Its costs mount up -- year after year. As a result, Chicagoans pay a heavy price in three ways, in stolen and wasted tax dollars, in lives ruined or lost, and in the loss of faith in government.

Since the 1970s, more than 2,000 individuals in Illinois, most of them in Chicago, have been convicted of various forms of public corruption. Based on testimony before the Illinois Ethics Commission and Mayor Emanuel's Ethics Reform Task Force, and our own research, we estimate the cost of corruption, or "corruption tax" to be at least \$500 million per year. Many experts believe it is much higher.

Examples include the costs of the Jon Burge police-brutality scandal, which has already reached one hundred million dollars and counting.¹ The cost of Chicago police corruption averages more than \$50 million per year. Since 2004, "Chicago has paid a staggering sum -- about \$662 million -- on police misconduct, including judgments, settlements, and outside legal fees," according to the Associated Press' examination of city records. ² In 2015, the payment for the fatal police shooting of LaQuan McDonald cost the city \$5 million in a settlement, while the cost to investigate and prosecute Police Officer Van Dyke is ongoing. Also, following that shooting, Chicago's legal and consulting bill for the subsequent Department of Justice investigation of city police practices totaled \$760,000 through the middle of March, 2016.³

The Hired Truck scandal, in which the city leased trucks it did not need, cost more than one hundred million dollars over the decade it operated. The ghost-payroll scandals in the Operation Haunted Hall investigation cost more than three million dollars a year. The Operation Incubator bribery cases involving Chicago aldermen cost more than \$239,000, and the cleanup of the dumps cost an additional twenty-one million dollars. Bribery cases with building inspectors

** More details of the causes, costs, and cures of corruption can be found in our book, Thomas J. Gradel and Dick Simpson, *Corrupt Illinois: Patronage, Cronyism, and Criminality* (Urbana Illinois: University of Illinois Press, 2015). cost more than twenty-three thousand dollars, not counting the lives lost when porches collapsed or fires occurred in unsafe nightclubs. Former School CEO Barbara Byrd Bennett was convicted of steering \$23 million to her former company SUPES in return for a promise of a \$2 million bribe.

With few exceptions the costs in the above corruption cases do not include tens of millions of dollars for investigating, prosecuting, and imprisoning these public-corruption criminals. Since there have been over 1700 convictions of officials in the Chicago metropolitan region for bribery, tax evasion, lying to the FBI, and obstructing justice from 1976 to 2012, the total cost of corruption in the region – in the suburbs as well as in the city of Chicago and in Cook Country -- has been enormous.

Calculating a precise dollar amount of corruption is difficult and fluctuates from year to year. However, we can begin to make a rough estimate of the costs. The greatest financial costs are from (1) patronage and no-show jobs, (2) fraudulent government contracts, (3) lawsuits for damages, such as in police abuse cases, and (4) embezzlement of funds or stealing government property.

Judgments resulting from prosecutions under the federal government's False Claim Act give us an idea of how costly government corruption can be. Since 1986 when the law was amended, the federal government has recovered over twelve billion dollars in settlements, with

some individual settlements reaching \$731 million. In the city of Chicago, false claims include false claims for Workman's compensation, injury claims, and, most of all, crooked contracts that run into extra costs of tens of millions of dollars a year.

The Haunted Hall court documents indicate that employees with no-show, ghost-payrolling jobs cost the city more than three million dollars a year in wages and benefits.⁴ Based upon the "clout-list" in the Robert Sorich trial, we know that there are at least five thousand patronage employees in Chicago city government, and there thousands more in the local governments like the Park District, CTA, and Chicago Public Schools bureaucracy. If these employees are only working at half capacity in their government jobs and earn on average fifty thousand dollars a year in wages and benefits, then patronage employees cost taxpayers more than twenty-five million dollars a year, because more employees have to be hired to get the work done.

However, in dollar terms, the greatest cost is from crooked contracts "with thievery written between the lines."⁵ The head of purchasing for the Illinois prison system testified to the Illinois Ethics Commission that because of corruption, the inflated costs of all state contracts were at least five percent of the total. A sizeable portion of Chicago's seven-billion-dollar operating budget is spent on contracts for outside goods and services. Five percent of every billion dollars of government contracts is fifty million dollars. The costs of crooked contracts escalate quickly, as the Hired Truck scandal demonstrates. The red-light camera contract alone clearly cost the city millions of dollars and was acquired through bribes to Chicago officials.

Moreover, in the most recent study of the cost of corruption in states, the authors found that the most corrupt states, like Illinois, averaged \$1,308 per capita in state expenditures over what states with only an average corruption level spend. This cost citizens in corrupt states like

Illinois an additional per capita expenditure of more than twenty-five thousand dollars from 1997-2008.⁶ The same applies to the government expenditures and taxes in the city of Chicago.

In addition to outright bribes to government employees to obtain overpriced contracts, there is a costly nexus between campaign contributions and winning government contracts. Dana Heupel and the journalists at the Springfield State Journal-Register were able to document that at least one-third of the state contracts following the elections in 1990 (fourteen thousand contracts, worth \$1.6 billion) went to individuals or businesses that contributed to the campaigns of statewide officer holders.⁷ A similar analysis in Chicago would likely show that business friends of the mayor and numerous aldermen get contracts with inflated costs.

In response to the original newspaper exposés of corrupt contracts at the state level, then Illinois Attorney General Roland Burris asked: “It’s legal, so what’s the problem?”⁸ The problem, of course, is that if those who contribute to political campaigns can gain government contracts and jobs for their contributions, they facilitate corruption in the political system.⁹ And the taxpayer is stuck with overpriced contracts that add millions of dollars to their tax bills.

Then there are cases of graft and embezzlement, such as when clerks in the city treasurer’s office simply cash checks to the government for themselves. The largest known case of this sort of corruption was uncovered, not in Chicago but in Dixon, Illinois, where the Comptroller-Treasurer managed to steal fifty-three million dollars from that city. But there are many local cases such as the Chicago Public Schools tech coordinator who stole four hundred thousand dollars.¹⁰ A clerk in the Chicago’s Department of Transportation stole \$741,299 worth of checks for city permits. And similar thefts occurred in other local government agencies.

All these forms of graft and corruption, large and small, add up. To paraphrase U.S. Senator Everett Dirksen, a million stolen here and a million stolen there, and sooner or later it adds up to real money.

Has anything changed after all the corruption scandals? There have been new ethics commissions appointed and some new state laws and city ordinances adopted. In our estimation, however, it will still take decades to root out the existing level of bribery, theft, and unethical exploitation, and it will take decades to change the culture of corruption that has been created over the last 150 years. Yet, curbing corruption would save the Chicago taxpayers at least \$500 million a year.

¹ Hal Dardick, "\$12.3 Million for Two Burge Victims," Chicago Tribune, September 6, 2013.

² Associated Press, "How Chicago racked up a \$662 million police misconduct bill," Crain's on line, March 20, 2016. .

³ Claire Bushey, "Chicago's Legal Bill in DOJ probe: \$760,000, So Far," Crain's on line, March 23, 2016.

⁴ Matt O'Connor, "Ghost Payroller 'Worked' 3 Jobs," Chicago Tribune, October 13, 1994; Matt O'Connor, "Ex-deputy Guilty in Job Scheme," Chicago Tribune, October 18, 1994; Matt O'Connor, "Laurino Wife Admits Fraud," Chicago Tribune, May 12, 1995; Matt O'Connor, "Double-Dipping Ghost in New Haunt," Chicago Tribune, February 21, 1996; Matt O'Connor, "Ghost Worker's Job Offer Came Over Dinner, She Says," Chicago Tribune, April 25, 1996; Matt O'Connor, "Rosewell Makes Deal in Ghost-Jobs Probe," Chicago Tribune, November 26, 1998; Daniel J. Lehmann, "Three More Charged With Ghost Payrolling," Chicago Sun-

Times, August 30, 1995; Mark Brown, "Retired 'Ghost' Admits Guilt," Chicago Sun-Times, November 23, 1995.

⁵ Len O'Connor, Clout, Mayor Daley and His City, Chicago: Regnery, 1975, 9

⁶ Cheol Liu and John L. Miesell, "The Impact of Public Officials' Corruption on the Size and Allocation of U.S. State Spending," Public Administration Review, 74, 3, May/June 2014, 346-359.

⁷ Dana Heupel, ed., Illinois for Sale: Do Campaign Contributions Buy Influence? (Springfield: University of Illinois at Springfield, 1997), 7 and 17.

⁸ Ibid., 94.

⁹ Ibid., 185.

¹⁰ David McKinney, "Former Suburban Police Chief Gets 5 Years," Chicago Sun-Times, May 2, 2014, 13 and Becky Schlikerman and Stefano Esposito, "CPS Tech Coordinator Stole \$400,000," Chicago Sun-Times, January 4, 2014, 4.

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