



IN THIS ISSUE: THE DISCONNECT II

Response to last month's issue compels me to expand on the subject: the disconnect between the people and the governing classes. The blogosphere has also been abuzz on the topic, propelled by reactions and analyses of the profound essay we excerpted, "America's Ruling Class – And the Perils of Revolution," by Angelo Codevilla, which appeared in *The American Spectator*. When only a minority of Americans express confidence in major institutions (Gallup), or believe that the federal government has the consent of the governed (Rasmussen), this disconnect may indeed be the defining issue of our time. At the very least, whether our electoral system can begin to address and correct the divergence between the governing classes and the people is the political question of the year.

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1 – A SPLENDID ESSAY

Robert Higgs of *The Independent Institute* writes:

Codevilla cuts immediately to the core: the United States today is divided into (a) a ruling class, which dominates the government at every level, the schools and universities, the mainstream media, Hollywood, and a great deal else, and (b) all of the rest of us, a heterogeneous agglomeration that Codevilla dubs the country class. The ruling class holds the lion's share of the institutional power, but the country class encompasses perhaps two-thirds of the people.

Members of the two classes do not like one another. In particular, the ruling class views the rest of the population as composed of ignoramuses who are vicious, violent, racist, religious, irrational, unscientific, backward, generally ill-behaved, and incapable of living well without constant, detailed direction by our betters; and it views itself as perfectly qualified and entitled to pound us into better shape by the generous application

of laws, taxes, subsidies, regulations, and unceasing declarations of its dedication to bringing the country – and indeed the entire world – out of its present darkness and into the light of the Brave New World it is busily engineering.

This class divide has little to do with rich versus poor or Democrat versus Republican. At its core, it has to do with the division between, on the one hand, those whose attitudes are attuned to the views endorsed by the ruling class (especially "political correctness") and whose fortunes are linked directly or indirectly with government programs and, on the other hand, those whose outlooks and interests derive from and focus on private affairs, especially the traditional family, religion, and genuine private enterprise. Above all, as Codevilla makes plain, "for our ruling class, identity always trumps." These people know they are superior in every way, and they are not shy about letting us know that they are. Arrogance might as well be their middle name.

2 – A DANGEROUS DISAFFECTION

John Hinderaker writes on www.powerlineblog.com:

Government derives its just powers from the

consent of the governed; that is a foundational principle of our republic. To a stunning degree,

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however, Americans don't believe that their own government meets that standard. How can this be, given our seemingly free and vibrant democracy?

The immediate cause is the fact that the Obama administration and its Congressional allies have embarked on an ambitious, left-wing program that seeks to transform America into a country quite different from what most Americans want.

The more significant cause, however, is a growing conviction that America is governed by a political class that has its own agenda, involving its own enrichment as well as the endless expansion of its own power, and that this political class is contemptuous of the opinions of ordinary Americans and is determined to impose its will regardless of how Americans vote. I think this perception is in fact true.

The strongest evidence is the history of federal spending in the modern era, which began in the 1960s. In constant (inflation-adjusted) 2007 dollars, federal spending has increased from \$627 billion in 1965 to (an estimated) \$2.7 trillion in 2008.

There have been several occasions when the American people have voted for smaller government; most notably in 1972, 1980 and 1994. But it really doesn't matter. You can vote for limited government, but you can't get it; the political class

won't let you. This is not to assert the silly proposition that there is no major difference between Democrats and Republicans. The fiscal disaster that we have witnessed since the Democrats took control of Congress in 2007 proves the contrary. But still: experience shows that voting for Republicans hasn't been enough to offset the power of the political class.

The main currents of our contemporary politics involve ordinary citizens rebelling against their masters in the political class. While by no means the only manifestation of this rebellion, the Tea Party movement is the most notable. What has happened to the Tea Party is instructive. It was first ignored, then ridiculed. Agents of the status quo like news services, newspapers, network news operations and the NAACP have been enlisted to lodge absurd charges of "racism" against Americans who protest out-of-control government spending. The Empire is striking back.

It remains to be seen whether the American people can finally break the grip of a political class that remains determined to run their lives and misappropriate trillions of dollars of their wealth. It will be, I think, a close-run thing. In the meantime, there is no mystery as to why most Americans do not regard the federal government as legitimate in Jeffersonian terms.

3 – THE RULING CLASS TAKES CARE OF ITS OWN

Tom Blumer writes on www.pajamasmedia.com:

It's safe to say that the disconnect between the resourceful, wealth-producing private sector and the resource-draining, wealth-destroying public sector has never been greater. To see that the ruling class currently has the upper hand, one need look no further than an August 10 *USA Today* report covering federal, state, and private sector compensation filed by Dennis Cauchon.

Here's the rundown in round numbers:

- The average civilian federal worker earns – I'm sorry, "gets paid" – over \$81,000 a year. After adding in almost \$42,000 for benefits, he or she receives total compensation of over \$123,000.
- For state and local government employees, the analogous figures are a shade over \$53,000, almost \$17,000, and nearly \$70,000.

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- Private sector workers average about \$50,500 in pay, \$10,500 in benefits, and just over \$61,000 in total comp.

For those keeping score, the average federal worker – oops, “employee” – is paid 60% more than his or her private sector counterpart, receives bennies that are four times greater, and gets a total compensation package that is more than twice as high.

According to Cauchon, the status quo’s defenders claim that “the compensation gap reflects the increasingly high level of skill and education required for most federal jobs and the government contracting out lower-paid jobs to the private sector in recent years.” I don’t think so, because USAT’s reported figures are averages, not medians. While there are upper limits on what federal workers can be paid, a relatively small but numerically influential group of extremely productive

and successful private-sector participants makes quite a bit more. I wouldn’t be at all surprised to learn that the federal-private differentials using medians are even greater than those seen above using averages.

Regardless, Cauchon in effect reports that for the time being the differentials, no matter how calculated, are on track to grow...

The only potential check on the out-of-control growth in federal pay, benefits, and spending in general lies in the electorate exercising its power at the ballot box. For decades, the country class has generally stood by while the ruling class, its servants, and dependents have grown in number, wealth, and influence, regardless of which political party has controlled the executive branch and Congress.

Will this time finally be different?

4 – THE ENTITLEMENT GAP

Andrew Malcolm writes in the [LA Times](#):

Over the years a lot of suspicion has built up across the country about Washington and its population of opportunistic transients coming to see themselves as a special kind of person, somehow above average working Americans who don’t labor down in that monument-strewn former swamp.

Well, finally, an end to all those undocumented doubts. Thanks to some diligent digging by the Washington Post, those suspicions can at last be put to rest.

They’re correct. Accurate. Dead-on. Laser-guided. On target. Bingo-bango. As clear as it’s always seemed to those Americans who don’t feel special entitlements and do meet their government obligations.

We now know that federal employees across the nation owe fully \$1 billion in back taxes to the Internal Revenue Service.

As in, 1,000 times one million dollars. All this political jabber about giving middle-class Americans a tax cut. Thousands of feds have been giving themselves one all along – unofficially. And these tax scofflaws include more than three dozen folks who work for the president with that newly decorated Oval Office.

The Post’s T.W. Farnum did some research and found that out of the total sum, just 638 workers on Capitol Hill owe the IRS \$9.3 million in back taxes. As in, overdue. The IRS gets stiffed by the legislative body that controls its budget...

Privacy laws prevent release of individual tax delinquents’ names. But we do know that as of the end of 2009, 41 people inside Obama’s very own White House owe the government they’re allegedly running a total of \$831,055 in back taxes...

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5 – THE \$2 TRILLION HOLE

Jonathan Laing writes in [Barron's](#):

Populist rage burns over bloated executive compensation and unrepentant avarice on Wall Street. Deserving as these targets may or may not be, most Americans have ignored at their own peril a far bigger pocket of privilege – the lush pensions that the 23 million active and retired state and local public employees, from cops and garbage collectors to city managers and teachers, have wangled from taxpayers.

Some 80% of these public employees are beneficiaries of defined-benefit plans under which monthly pension payments are guaranteed, no matter how stocks and other volatile assets backing the retirement plans perform. In contrast, most of the taxpayers footing the bill for these public-employee benefits (participants' contributions to these plans are typically modest) have been pushed by their employers into far less munificent defined-contribution plans and suffered the additional indignity of seeing their 401(k) accounts shrivel in the recent bear market in stocks...

Sweet retirement for public servants could lead to severe cuts in basic services.

Most public employees, if they hang around to retirement, can count on pensions equal to 75% to 90% of their pay in their highest-earning years. And many public employees earn even more in retirement than their best year's base compensation as a result of "spiking" their last year's income by working ferocious amounts of overtime and rolling in years of unused sick and vacation days into their final-year pay computation...

The prospects are bleak for many state and local governments as a result of all this. According to a survey last month by the Pew Center on the States, a nonpartisan research group, eight

states – Connecticut, Illinois, Kansas, Kentucky, Massachusetts, Oklahoma, Rhode Island and West Virginia – lack funding for more than a third of their pension liabilities. Thirteen others are less than 80% funded.

Governments could fill that gap by raising property, sales and income taxes, but most are wrestling with huge revenue shortfalls in trying to balance their budgets. The more likely outcome is dramatic cuts in essential services, such as police and fire protection, health spending, education and infrastructure improvements, in order to cover ballooning pension payments. State and municipalities, after all, must do something: Most have a legal obligation to pay out earned pension benefits. And some don't even have the courage to switch new teachers, bureaucrats and police to a defined-contribution system, to prevent the funding problem from worsening as time rolls on.

Thus, more debt defaults and bankruptcy filings probably lie ahead, unsettling the \$2.7 trillion municipal-bond market. The possibility of taxpayer revolts and likely insolvencies has shaken some investors' confidence in general-obligation bonds – those backed by the "full faith and credit" of the states or localities. Once the gold standard for munis, GOs are under a cloud in financially troubled areas...

Making the state and local pension problem all the more trying is that government entities can do little to wriggle out of their exposure, even if spending on essential services is threatened. The constitutions of nine states, including beleaguered California and Illinois, guarantee public-pension payments. And most other states have strong statutory or case-law protections for these obligations...